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***Trade-Economic Agreements Between Russia, Turkmenistan**

Trade-Economic Cooperation in 1995

954E1229A Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 12

[Text of "Agreement Between Government of Russian Federation and Government of Turkmenistan on Fundamental Principles of Trade and Economic Cooperation in 1995"]

[FBIS Translated Text] The Government of the Russian Federation and the Government of Turkmenistan, hereafter referred to as the Sides,

proceeding from the need to strengthen and develop Russian-Turkmen trade and economic relations in the interest of both states,

assigning priority to the establishment of favorable conditions for the development of market relations and the maintenance and development of production and technological ties between enterprises, organizations, and economic entities in the Russian Federation and Turkmenistan,

have agreed as follows:

Article 1

The trade and economic cooperation of the Russian Federation and Turkmenistan will be based on the principles of equality and mutual advantage and will be accomplished by means of the conclusion of contracts directly by state agencies and economic entities, irrespective of their property status and jurisdiction, in conformity with the laws of each state.

The parties concluding the contracts will be responsible for their fulfillment.

Article 2

The Sides will not impose quotas and licensing requirements on reciprocal shipments, with the exception of shipments of goods exported in accordance with international commitments and goods for which special export procedures have been established.

Article 3

The Sides will promote reciprocal deliveries of goods in 1995 according to the priorities stipulated in addenda 1 and 2 [not reproduced] to this Agreement.

The Russian Side will not object to the re-export of the products listed in Addendum 1 to this Agreement and will develop a simplified clearance procedure within two weeks.

Article 4

The Sides will request the Federal Contract Corporation of the "Roskontrakt" joint-stock company and the Turkmen Ministry of Agriculture and Food Processing to expedite interrelated deliveries of the main types of goods on an equivalent basis (in U.S. dollars) in accordance with Addendum 3 [not reproduced] to this Agreement. The necessary adjustments may be made in the assortment, quantity, and prices of the goods.

In accordance with Addendum 3 to this Agreement, these goods will not be subject to export duties.

Shipments of goods by the Federal Contract Corporation of the "Roskontrakt" joint-stock company may consist of the Russian Federation's own resources and goods purchased from third countries.

Article 5

The Sides will promote the maintenance and development of ties between economic entities in the two states, including ties stemming from the existing system of specialization and existing cooperative ties, and assist in the establishment and functioning of joint ventures, intergovernmental economic structures, and transnational companies, in joint investment projects, and in the issuance of stock in property of mutual interest.

Settlements between economic entities for shipments of goods will be based on contract prices.

Settlements and credit relations will be regulated by separate agreements.

Article 6

The Sides will secure favorable conditions within the territory of their states for reciprocal passenger and freight traffic, including the freedom of transit traffic by rail, motor vehicle, air, and pipeline.

Article 7

The Sides will arrange for the exchange of information through the appropriate agencies on the passage of legislative instruments pertaining to foreign economic activity, as well as the exchange of statistics and customs reports on reciprocal shipments.

Article 8

In the event of disagreements over the interpretation or application of the provisions of this Agreement, the Sides will resolve their differences by means of negotiation in accordance with the standards of international law.

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Article 9

This Agreement will go into force on the date it is signed and will remain in force until 31 December 1995. The provisions of this Agreement will apply to all contracts and agreements concluded while it is in force and all contracts pending at the time of the expiration of this Agreement.

Completed in the city of Ashgabat on 8 April 1995 in two copies, each in the Russian and Turkmen languages, and each version being equally authentic.

Economic Cooperation for the Period Until the Year 2000

954E1229B Moscow ROSSIYSKAYA GAZETA in Russian 4 Aug 95 p 12

[Abridged text of Agreement Between the Government of Turkmenistan and the Government of the Russian Federation on the Fundamental Principles and Directions of Economic Cooperation During the Period up to the Year 2000: "En Route to the Southern Seas; Not in Army Boots, But With Goods and Technology"]

[FBIS Translated Text] Turkmenistan and the Russian Federation, hereafter referred to as the Sides,

have agreed as follows:

Article 1

The economic cooperation of the Sides will be based on the principles of state sovereignty, equality, strategic partnership, and mutual advantage and will be accomplished by means of direct agreements and direct interaction by economic entities, irrespective of their property status and jurisdiction, and by state agencies, with the observance of the laws in force in both states and with consideration for common international standards and practices.

Each of the Sides will refrain from taking any action capable of harming the other, will grant most-favored-nation status to state and local agencies and economic entities authorized to conduct foreign economic operations and cooperating on a long-term basis, will secure the inviolability of their property rights within their own territory in conformity with national laws, and will assist in the organization of efficient settlements and the timely repayment of mutual debts.

The parties concluding economic agreements and contracts will be responsible for their fulfillment.

Article 2

The Sides will set up a permanent Standing Russian-Turkmen Commission on Economic Cooperation to draw up long-range comprehensive programs for the development of bilateral economic relations and install the mechanisms for their implementation.

Article 3

In the sphere of trade and economic cooperation, the Sides will take steps to increase the reciprocal trade in goods and the volume of services rendered, to implement the principles of free trade within their territory, to establish equal legal and economic conditions for economic entities, and to maintain a balance of reciprocal export-import operations.

Article 4

The Sides will assign priority to reciprocal shipments of goods satisfying the main state needs, including interrelated deliveries on an equivalent basis. The specific goods will be listed in separate protocols each year.

Article 5

The Sides will establish their own trade and economic missions in Ashgabat and Moscow, will promote the establishment and operation of offices of foreign economic agencies, organizations, and economic entities within the territory of their own states, and will assist in the exchange of trade and economic delegations between the two countries. The objectives, functions, and rights of the representative missions and offices will be defined in separate agreements by authorized agencies of the Sides.

Article 6

The Sides will assign priority to the development of effective settlement mechanisms in banking relations. The Sides will take coordinated measures to develop their own currency markets, secure the mutual convertibility of national currencies by setting coordinated exchange rates, and maintain the stability of the ruble and manat, as well as other measures with the aim of establishing a common financial market.

Article 7

In the sphere of investment cooperation, the Sides will acknowledge the expediency of special bilateral intergovernmental programs with the participation of national and transnational consortiums of banks, investment and finance companies, and industrial and other enterprises and associations to finance promising investment projects securing the heightened export potential of both states and the mobilization of their production capacities and labor resources.

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Article 8

In the sphere of production integration, the Sides will promote the maintenance, improvement, and development of traditional ties between enterprises on the basis of the existing system of specialization and common production and technological features and assist in the development of cooperative production relations in the interest of increased output, heightened competitiveness, a broader assortment, and increased trade.

The Sides will promote the creation of joint financial-industrial groups and holding and leasing companies, including companies with state participation, assist in the creation and functioning of transnational associations and joint ventures and in the development of other progressive forms of cooperation by national capital in the production, investment, banking, and commercial spheres, and secure favorable conditions for reciprocal investments, their protection, and the prevention of double taxation. Separate agreements will be drawn up and signed on these matters.

Article 9

In the sphere of joint investment, the Turkmen Side has expressed interest in facilities and enterprises of the timber and woodworking industry and in the production of agricultural machines and the components and spare parts for them, processing equipment for the agroindustrial complex, passenger cars and trucks, finished rolled ferrous and nonferrous metals, and equipment for power engineering and the oil and gas complex, and the Russian Side has expressed interest in the facilities and enterprises of the cotton ginning industry, the oil and gas complex, rail and pipeline transport, and exploratory prospecting.

The objects, procedures, and terms of joint investment will be defined in separate agreements by authorized organizations and agencies of the Sides.

Article 10

In the sphere of transportation and communications, the Sides will secure favorable conditions within the territory of their states on a mutual basis for passenger and freight traffic between the two countries on all types of transport and for operations using lines of communication and power transmission networks according to the procedures and on the terms specified in separate agreements by the Sides.

Article 11

In the sphere of the oil and gas industry, the Sides will assist in the maintenance, improvement, and development of traditional ties between enterprises in the two states on the basis of related production and technological processes and promote cooperative ties in the preparation of the resource base, project planning, and technical and economic feasibility studies in the extraction, refining, and transport of oil and gas.

Article 12

The Sides have agreed that economic entities of the Russian Federation will participate in exploratory projects and the construction and operation of railroads and oil and gas pipelines in Turkmenistan. The forms and conditions of this participation will be defined in separate agreements and contracts by authorized agencies of the Turkmen Side and the Russian participants.

Article 13

In the sphere of scientific and technical cooperation, the Sides will take steps to establish joint research organizations in national scientific centers, and to plan and carry out basic and applied research projects and programs of mutual interest.

The Sides will request authorized agencies and organizations to draft coordinated proposals in 1995 on the procedures and terms of the establishment of specific joint research organizations, projects, and programs, as well as their selection and financing on the basis of competitive bids.

Article 14

The Sides have expressed their intention to cooperate more closely in resource conservation and environmental protection and will take coordinated action to secure the intelligent and ecologically safe use of the industrial and biological potential of the Caspian Sea.

The Sides will promote the quickest possible determination of the international legal status of the Caspian Sea in conjunction with other cis-Caspian states.

Article 15

The Sides regard the economic and sociocultural interaction of Turkmenistan and the regions, oblasts, and cities of the Russian Federation as an important factor and a promising field of closer economic cooperation and the reinforcement of the historical roots of the friendship and goodwill of the people of the two countries.

The Sides will take the necessary legal-organizational measures to facilitate and encourage the establishment of economic and sociocultural ties between Turkmenistan and members of the Russian Federation on the

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basis of direct treaties and will promote the establishment and development of interregional trade and economic relations and exchanges in the spheres of public education, culture, sports, and tourism.

Article 16

The Sides will take additional measures to develop social and humanitarian cooperation and scientific, cultural, and informational interaction, improve public health and sanitary-epidemiological conditions, observe and protect civil rights, interests, and liberties, secure the free movement of labor, and establish conditions excluding all forms of discrimination on ethnic or other grounds in the spheres of migration, employment, and social security.

To this end, the Sides will conclude agreements on the establishment of cultural centers, on cooperation in the spheres of education, advanced personnel training, culture, the press and information, and on public health care and treatment in sanatoriums and health resorts for the citizens of both states with consideration for the social, cultural, educational, and informational needs of the ethnic Turkmens living in the Russian Federation and the ethnic Russians living in Turkmenistan.

Article 17

Each of the Sides will guarantee the eligibility of citizens of the other Side residing permanently within its territory for benefits, pensions, and other forms of social security on the same terms as the citizens of its own state, as well as equal conditions for the exercise of the right to labor safety and health care and the support of mothers, children, labor and war veterans, and the disabled and partially disabled. The Sides will secure the coordinated interaction and cooperation of authorized agencies in social and migration matters and will request them to arrange for the mutual exchange of information for the purpose of coordinating legislation in these spheres.

Article 18

The Sides will intensify coordination and will plan and carry out additional joint measures in the fight against crime in the economic sphere and other particularly dangerous categories of crime within the territory of both states, and will reinforce the legal-organizational basis of interaction by authorized agencies in their states with consideration for the bilateral and multilateral agreements of the members of the Commonwealth of Independent States on cooperation and interaction by law enforcement agencies, security agencies, and special services in the fight against organized crime.

This Agreement will go into force on the date it is signed and will remain in force until 18 May 2000.

Completed in the city of Moscow on 18 May 1995 in two copies, each in the Turkmen and Russian languages, and each version being equally authentic. The document is being published in a slightly abridged form.

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Regional Affairs

Novosibirsk Recycling Scheme Viewed

954F2990B Novosibirsk VECHERNIY NOVOSIBIRSK in Russian 3 Aug 95 p 2

[Interview with two members of the Novosibirsk city committee on ecology and natural resources by Sergey Bobrov; place and date not given: "City Dumps Are Growing Continuously; We Will Drown in Garbage!"]

[FBIS Translated Text] The Novosibirsk city committee for ecology and natural resources reported on the conduct of an international competition of projects of enterprises and technologies for recycling solid household refuse.

Our correspondent talks with two representatives of the committee—Aleksandr Andreyev, chief of inspections, and Aleksey Cherednichenko, the leading specialist in the control-inspection department.

[Bobrov] Judging by the fact that the competition is sanctioned by the government, the problem of refuse is very severe?

[Cherednichenko] Yes, this is one of the most important ecological problems of the city. About 2 million cubic meters of solid household refuse are formed in Novosibirsk every year. Add to this on the order of 500-750 tonnes of nontoxic and slightly toxic industrial wastes that are taken to dumps. All of this "junk" burns, emitting soot, carbolic acid, hydrogen sulphide, and other harmful substances into the atmosphere. Water, filtering through mountains of garbage, pollutes the soil and gets into the water-bearing layers. Decay and rats—all of this does not exclude the possibility of an epidemic.

[Andreyev] The Gusinobrodskaya dump is the largest in Novosibirsk. An area of 69 hectares has been set aside for it, and about 40 hectares are filled. Approximately 1.2 million cubic meters of refuse are transported here. And overall hundreds of organized and unorganized dumps are scattered on the territory of the city with a total area of about 100 hectares. All of this is growing continuously.

[Bobrov] Are there any kind of rules for the organization of dumps, and how is ecological control conducted in such places?

[Cherednichenko] The organized dumps, the so-called ranges, are supposed to have their own plans. The territories of the ranges are banked up and protected by a fence and firebreaks, water barriers are installed, and provisions are made for diverting waters from melted snow and heavy showers. Actually, not one large city dump is built in accordance with these rules. As for the control, then at best an elementary analysis of water is conducted. No additional analysis and monitoring is conducted.

[Andreyev] Usually former quarries, large ravines, and gullies are selected for use as dumps. The refuse is supposed to be piled in layers. A layer is dumped, it is rolled, soil is placed on top, and then there is another layer. But even this is not observed here. Layers of refuse exceeding the norms are laid out, there are no rollers, and a bulldozer is used instead—it moves around and levels the refuse, and this is considered compacting....

[Bobrov] Are the vehicles checked that bring garbage to the dumps? After all, not all objects can be deposited together with solid wastes?

[Andreyev] There is a list of the refuse that cannot be buried in city dumps. This most of all concerns industrial production wastes, substances, and objects that fall under the 1-2 classes of danger.

They can be stored only at enterprises under special conditions. Galvanic wastes, rubber, mercury lamps, and other items cannot be shipped to city dumps. But again, there are restrictions on the amount of shipped substances, and on their condition. For example, they cannot be shipped in liquid form....

[Cherednichenko] A partial recycling of industrial wastes is conducted by enterprises themselves, but this is a scanty amount. Generally, of course, violations in the shipment of wastes occur frequently, inasmuch as control over this matter is set up poorly. Although it can always be established from which enterprise these wastes are shipped here. A fine is imposed when a culprit is identified—25 times the scale of the base norms that are set for shipped garbage.

[Bobrov] What is the problem with household refuse? What prohibits its resolution?

[Andreyev] First of all, it is necessary to resolve the question of sorting. In Western countries, people already long ago got accustomed to throwing garbage in a garbage container: paper in one, glass in another, peelings in a third. The fact is that technology exists for recycling individual components—metals, plastics, paper, wood. But when all of this is one pile, a system is simply inconceivable that would be capable of sorting out and recycling this mass.

[Cherednichenko] This is a really big problem, and in many ways it depends on our everyday living conditions. For example, it is also possible to sort out refuse at home, but imagine how many garbage pails would have to be kept in our crowded apartments. Therefore, we take the whole pile to the refuse chute

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in containers. If this question were resolved, you can consider that half the problem would be gone....

[Andreyev] The second stage is the creation of an efficient system of recycling refuse. To date not one normal project exists; therefore, the government decided to conduct such a large competition. In principle, there are methods of recycling and utilization of solid household wastes, but they either have not been tested in practice or they are already in use, but they have a number of shortcomings. There are plants in only a few large cities of Russia where one or another method is used to conduct refuse recycling—composting, pyrolysis (burning), and liming. Their productivity is not high, and it does not cover the needs of the city.

[Bobrov] How is the problem resolved abroad?

[Cherednichenko] With difficulty. As we have already said, preliminary sorting of refuse exists there, which facilitates its further recycling. The situation there is also somewhat better with the storage of garbage: Dumps are equipped, and sewage from them has several degrees of cleansing. But the question has not been fully resolved in even one country of the world, and even for America and France the problem is not much less severe than for us. In addition, no one is yet thinking about how to recycle everything that is accumulated in city dumps. For the time being it is at least necessary to stop their growth....

Economic Issues

*State of Metal Production Industry Viewed

954F2948A Moscow SEGODNYA in Russian 25 Jul 95 p 9

[Unattributed report based on PRAVITELSTVENNYY VESTNIK material: "Pickup of Business Activities Seen in Ferrous Metallurgy: Meps Forecasts Growth in Steel Production and Consumption in the CIS"]

[FBIS Translated Text] Analysis of the dynamics of Russian Federation enterprises' average daily output of basic categories of products shows that the production of all categories of metal products increased in May 1995 as compared to April.

Let us note that a decline in the output of coke, finished rolled metal, and steel pipe is being registered at Ukrainian metallurgical enterprises. In Kazakhstan production has declined with respect to almost all categories of metal production except iron ore.

Overall, ferrous metallurgy enterprises in the Russian Federation in January-May 1995 produced 31.397 trillion rubles [R] worth of marketable output. As compared to the analogous period of 1994, this indicator increased by a factor of 3.7, while prices increased by a factor of 3.4 and the physical volume index measured 111 percent. As compared to April 1995, the volume of marketable output in May increased by 7.2 percent.

Over five months of 1995, Chermet corporation enterprises produced R26.8337 trillion worth of output, which constitutes a 3.8-fold increase as compared to the analogous period of last year, including a 3.5-fold price increase.

According to adjusted data, the aggregate profit earned by the industry's enterprises over January-December 1994 amounted to R3.94 trillion. In 1993 the aggregate profit over the corresponding period amounted to R2.8751 trillion.

Profits increased over January-December 1994 as compared to the analogous period of 1993 mainly due to price increases. This factor accounted for R7.0798 trillion in profits. The actual aggregate profits increased in December 1994 and amounted to R767.5 billion as compared to R681.8 billion in November (December inflation measured 18.0 percent).

The greatest actual increases in profits in December as compared to November were registered at the following enterprises:

AO [joint-stock company] Magnitogorsk Metallurgical Combine: R177.562 billion as compared to R28.181 billion;

AO Novolipetsk Metallurgical Combine: R79.020 billion as compared to R37.844 billion;

AO Orsk-Khalilovo Metallurgical Combine: R29.070 billion as compared to R25.946 billion;

AO Oskol Metallurgical Combine: R17.215 billion as compared to R4.615 billion;

Rudprom: R166.444 billion as compared to R53.012 billion.

Expenses per R1 of marketable output increased over January-December 1994 as compared to the corresponding period: from 68.07 kopeks (1993) to 86.33 kopeks (1994).

Enterprises' net profit amounted to 15.8 percent in January-December 1994 as compared to 46.9 percent over January-December 1993.

The aggregate profit earned by the industry's enterprises over January-March 1995 amounted to R2.8247 trillion. In 1994 the aggregate profit over the corresponding period amounted to R722.9 billion.

Profits increased over January-March 1995 as compared to the analogous period of 1994 mainly due to price

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increases. This factor accounted for R1.6732 trillion in profits. At the same time, it should be noted that the actual aggregate profits in March 1995 increased and amounted to R1.2283 trillion as compared to R995.1 billion in February (March inflation measured 9.5 percent).

The greatest actual increases in profits in March as compared to February were registered at the following enterprises:

AO Magnitogorsk Metallurgical Combine: R93.46 billion as compared to R55.91 billion;

AO Novolipetsk Metallurgical Combine: R252.931 billion as compared to R150.063 billion;

AO Kuznetsk Metallurgical Combine: R39.084 billion as compared to R25.846 billion;

AOOT [publicly held joint-stock company] Northern Steel—the Cherepovets combine—R166.512 billion as compared to R106.564 billion;

the ferrous alloys industry: R51.289 billion as compared to R19.407 billion.

Expenses per R1 of marketable output increased over January-March 1995 as compared to the corresponding period: from 86.38 kopeks (1994) to 76.81 kopeks (1995) [as published].

Enterprises' net profit ratio measured to 30.2 percent in January-March 1995 as compared to 15.8 percent over January-March 1994.

The aggregate profit earned by the industry's enterprises over January-April 1995 amounted to R3.9239 trillion. In 1994 the aggregate profit over the corresponding period amounted to R962.9 billion.

Profits increased over January-April 1995 as compared to the analogous period of 1994 mainly due to price increases. This factor accounted for R2.2435 trillion in profit. At the same time, it should be noted that the actual aggregate profit declined in April 1995 and amounted to R1.1362 trillion as compared to R1.2315 trillion in March (April inflation measured 8.5 percent).

According to the financial report, as of 1 June 1995 consumers owed ferrous metallurgy enterprises in the Russian Federation (which account for 57.5 percent of the total volume of marketable output) R9.9539 trillion, while ferrous metallurgy enterprises owed their suppliers R8.9835 trillion. Within this figure, accounts receivable for goods and service amount to R6.7447 trillion, accounts payable for goods and services—R4.9964 trillion, and liability on payments owed to the budget—R1.331 trillion.

Also, 34.1 percent of accounts receivable and 31 percent of accounts payable are in arrears.

The Meps consulting company and the OECD's Committee on Steel offer optimistic forecasts regarding the near future of the market in ferrous metallurgy.

Considerable changes are going to take place in ferrous metallurgy in Asian countries, which will exhibit the highest rate of growth in production and consumption of steel products. The proportional share of this region in the world consumption of steel products may reach almost 50 percent by the year 2000. According to the forecast, the PRC's share in the world consumption of steel products will double from 8 percent in 1990 to 16 percent in the year 2000. Countries that are suppliers of metal to this region, in particular Australia, already are expanding production in order to meet growing demand. British Steel and other West European companies are studying the role they can play in Asia in supplying steel products to the fast-growing Asian market for ferrous metals.

In European Union states, demand for steel products is expected to reach the level of the 1980's. Steel production capacities will be cut down by taking out of exploitation obsolete metallurgical enterprises. In Great Britain, British Steel recently announced plans to increase capacities at its Aenwern [as transliterated] plant, where a continuous casting machine will be installed.

The forecast for the prospects for the zinc-plated sheet steel market for 1995-1996 is favorable for suppliers of this product. In a number of world regions demand for zinc-plated sheet steel is growing fast due to a pick-up in market activities in construction, the automotive industry, and production of household appliances. In the European market in the current year, demand and prices for this category of product will continue to grow. Automobile production is increasing, and therefore demand for zinc-plated (electrolytic) steel remains high.

Demand for zinc-plated steel on the part of European construction companies turned out to be less active than expected, and therefore production volume exceeded demand in this region.

Meps forecasts are very optimistic with respect to the rate of production and business activities that can be expected in the CIS. The company believes that in the second half of 1995 production and consumption of steel will grow.

METAL BULLETIN magazine notes that deliveries of steel products from Russia to the United States in 1994 amounted to 1.6 million tonnes, which is approximately 10 times more than in 1993 (170,000 tonnes). In the

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opinion of commentators, in 1995 imports of Russian metal products to the United States may exceed 1.8 million tonnes, provided trade restrictions are not imposed. So far, measures restricting deliveries, introduced several years ago at the demand of American steel companies, do not include Russia. At the time, Russia was not a major supplier of metal products to the U.S. market.

According to the statement of some representatives of American companies, in 1994 the United States imported from the CIS approximately 1.1 million tonnes of hot-rolled thick and thin metal sheet at prices about $80 less per tonne, which hurt American companies making the same product.

As is known, restrictions on importing steel products from Russia are in effect in EU countries. In 1994 the quota was 500,000 tonnes. Because of this, Russian suppliers had to increase sales of rolled metal in the United States and other countries.

Imports of Ukrainian metal products to the United States also increased in 1994 and amounted to 479,000 tonnes as compared to 122,000 tonnes in 1993.

***Customs Committee Chairman Discusses Services' Improvements**

954E1234B Moscow DELOVOY MIR in Russian 1 Aug 95 p 8

[Interview with Valeriy Maksimskiy, deputy chairman of the Russian Federation State Customs Committee, by journalist Sergey Valentinov: "The Border: A Partner and Assistant"]

[FBIS Translated Text] **Customs is a headache for many entrepreneurs. They are harassed at the border by the reshuffling of tariffs, the information vacuum, the red tape, bribery... But important changes for the better can be expected in the very near future. This was stated by Valeriy Maksimskiy, deputy chairman of the Russian Federation State Customs Committee, in an interview with journalist Sergey Valentinov.**

[Valentinov] What is the customs service working on today?

[Maksimskiy] We are faced with two basic tasks. First, to ensure that revenue is received for the state budget. A sizable sum has been fixed for us—42 trillion rubles (33 percent of the tax part of the budget). Second, to provide for the state's economic security.

[Valentinov] And how do you intend to do this?

[Maksimskiy] Quite a few legislative and normative documents relating to customs organs have been adopted lately. Based on them, we seek to improve the service's efficiency; in particular, we are working to simplify customs procedures, introduce progressive technologies for control, and gradually shift to maximum inspection of imported goods. At present, no more than 3 percent of the commodities are being examined by Russian customs, but we are planning to raise this level to 10 percent this year.

We are planning to introduce a technology for legalizing imported goods in stages. This step has two objectives. Firstly, the talk about customs corruption is depressing to everyone. So the new system will make it possible to "separate" the customs inspector and the immediate owner of the goods being imported and to sharply reduce the opportunities for illegal machinations. In addition, it will help to substantially reduce the length of time for commodities to pass through customs, and this is extremely important. Because new customs payments have been introduced, the base for collecting them is being reduced (the maximum rate now is fixed at 30 percent of the declared value of a commodity). Consequently, revenue for the budget may be increased only by speeding up the movement of commodities.

Improvement in the technology for collecting customs payments plays a role here. Apart from the traditional customs rates, new ones—combined and specific—are being used. More attention is being given to verification of the source of imported goods. A single control system is being introduced for participants in foreign economic activity. The formation of a special service to "keep an eye on" the path taken by imported goods in the future is being completed; it will expose cases of deliberate understatement of customs value when certain commodities are imported under the guise of others, and a great deal more.

The number of Russian customs officials has been increased lately (from 17,000 to over 40,000). There are objective reasons for this. But along with our worthy employees, casual individuals have been coming to work for us. We are now getting rid of them and struggling to eliminate corruption and cases in which authority is exceeded. For this the GTK [State Customs Committee] is organizing a special security service which will combat corruption and protect customs officials.

[Valentinov] As we know, the new customs tariffs have had a negative reaction among entrepreneurs—the importers and exporters. Do you foresee any changes?

[Maksimskiy] Taking into account that Russia is undertaking active steps to enter the World Trade Organization (GATT, before 1 January 1995), it has set the goal of reducing customs duties and other international trade barriers, and it is abolishing all export customs duties beginning on 1 January 1996, our committee has submitted proposals to make import tariffs as effective as possible. Essentially, they provide for the maximum customs duty on an imported commodity, as I said, to

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be set at 30 percent of the declared value of the commodity, with the minimum set at 5 percent. This does not apply to the commodities subject to excise taxes, such as motor vehicles, alcohol and tobacco products, which have duties that are substantially higher.

The proportion of commodities which are not subject to duty should be reduced by half by the end of this year. They include baby foods, medicines, equipment for the disabled, medical instruments, and specialized vehicles for public health needs.

The customs services have been looking closely at the quality of imported foods lately. We demand obligatory submission of certificates of quality for each batch, but we often encounter false documents. Together with the Gosstandart [State Committee on Standards] and other interested institutions, we will be tightening control.

[Valentinov] Businessmen are complaining about arbitrariness in the customs. There are many of them, and each one writes about his own specific case. Those taking part in foreign economic transactions often find out about innovations when a commodity has arrived. Moreover, the customs officials themselves often treat the same cases differently. What is being done to eliminate the discrepancies?

[Maksimskiy] Russia's customs posts will soon receive packages of all the normative documents affecting the customs service, and then no one will have the right to say that one directive or another was not applied to them.

In addition, a structure being formed within the legal administration of the Customs Committee will consult with everyone concerned about questions related to customs activity. They are now being studied by the "Rostek" commercial firm. All the directives may be seen at the Moscow Customs Administration.

[Valentinov] You referred to the problem of speeding up customs procedures. A question arises in this connection: can producers establish autonomous customs posts in their own enterprises?

[Maksimskiy] Posts such as these have already been established at most of the major Russian enterprises, but a way to open new ones has not been ordered. The volumes and long-term continuity of shipments are the main factors here. If we see serious intentions, we will go halfway.

Another matter is specialization within the customs service itself. Unfortunately, our customs officer deals with food today, metal tomorrow, and motor vehicles the day after. This is not corrct. Each one should specialize in something.

[Valentinov] How are you combating contraband?

[Maksimskiy] This is a serious problem, and it has to be resolved in a combination of ways. Excise tax collection has been introduced for alcoholic and tobacco products—principal contraband commodities. It is authorized only at special excise tax posts now.

Facilities are being improved continuously on the border, primarily with the Baltic countries, where a number of customs points provided with the latest equipment have been operating. It is planned to open several more. Our own security service is being reinforced; patrols between customs posts have been organized, for example. Generally speaking, a great deal is being done, but we cannot discuss everything.

[Valentinov] Does this mean the formation of a unified customs union between Russia, Kazakhstan, and Belarus?

[Maksimskiy] Standardization of the customs laws of our three countries, first of all. We inspected the borders and we decided together what should be set up, and how, and to strengthen them so that internal customs posts can be removed. In coordination with Belarus, Russian customs will shift operations to its external border.

[Valentinov] How do you assess the current customs legislation?

[Maksimskiy] It needs to be improved. This year we plan to prepare nearly 40 normative documents which should supplement the Customs Code in effect.

*Effects of Tariff, Hard Currency Rates on Imports, Exports

954E1234C Moscow KOMMERSANT DAILY in Russian 20 Jul 95 p 8

[Report by Tatyana Korotkova, Sergey Alkhimov, Nelli Shmakova, Igor Popov, and Yekaterina Kravchenko: "A Law Like a Connecting Rod—It Goes Wherever it Is Turned"]

[FBIS Translated Text] **It is apparent from the customs statistics on foreign trade over the past 2 weeks that the period of adaptation to the new import tariff is near completion. Customs officials are becoming familiar with the tariff itself, and importers are thinking about the opportunities to evade it. The movement of substantial amounts of foodstuffs among illegal imports resulted from the latter's efforts. However, this has not had an effect on the correlation of exports and imports in Russia's foreign trade—the export-import balance remained at the previous level (imports accounted for 28 percent and exports for 72 percent). A noteworthy occurrence of the past 2 weeks was an increase in the volume of machinery and equipment imported; this in turn had an effect on the average level of contract prices: it rose to $105,400 in imports, while the average value of contracts in exports remained at the previous level—$187,400.**

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Commodity Structure Up to 20 July 1995 (in Percent)

	Imports	Exports
Raw materials	2	77
Machinebuilding products	32	6
Light industry products	18	1
Food industry products	25	1
Chemical industry products	1	10
Agricultural raw materials	4	2
Other commodities	18	3

As Before, the Ruble Is Strong, But Many Are Not Pleased About This

A Chinese curse says: "May you live during times of change!" Evidently, participants in VED [presumably: foreign economic activity] have already been cursed; it is a sin for them to complain about stability and boredom, in any event. Confusion reigns among exporters about the policy of "strengthening the national currency." During a period when the ruble has steadily increased, to the amazement of many, most exporters have had little confidence that this trend would continue for long. But here is a new surprise—the so-called currency corridor was introduced until 1 October. Of those concerned, the metallurgists reacted with the most determination. Igor Prokopov, president of the "Alyuminiy" Concern, was the first to speak out. He said a frozen exchange rate under the still high rate of inflation will lead to a decline in the foreign exchange earnings of aluminum enterprises. This is even more annoying because the situation has improved over last year. In the period from January to May 1995, according to the Goskomstat [State Committee for Statistics], Russia exported 820,500 metric tons of raw aluminum for a total of $1.2089 billion, whereas these indicators were 954,200 metric tons and $875.6 million for the same period last year. At the same time, the rising prices for alumina, as well as the proposed increase in electricty rates in the third quarter of this year (an average of 1.5 to 1.6 times as much, according to the "Alyuminiy" AO [Joint-Stock Company]), will lead a number of plants producing aluminum "out of the profitability zone." A decline in profit volume will not enable them to make sufficient investments in production, which will lead to a decrease in the metal produced. The competitiveness of Russian aluminum in the world market will decline as a result.

Leonid Antonenko, deputy chairman of the Committee on Metallurgy, agrees with him completely. Speaking on the occasion of Metallurgists Day, he said that introduction of the currency corridor may have extremely severe consequences for the entire metallurgical complex. Moreover, a decline in the dollar's exchange rate means the collapse of production. Last year, when the exchange rate rose continuously, ferrous and nonferrous metallurgy production increased by more than 10 percent, and up to 20 to 25 percent at some major metallurgical combines. Exports, in turn, rose by 25 percent. But now, under conditions in which prices are being stabilized in the world market and domestic costs are increasing, limiting an increase in the dollar's exchange rate will lead to a decrease in production volume and the need to offer output in the world market at a price below production cost.

But generally speaking, according to Sergey Tsyplakov, chief of the Department of International Cooperation of the Russian Federation Government, introduction of the currency corridor will have a negative effect on exports not only of ferrous and nonferrous metals, but output of the timber processing and chemical industries as well. In his words, prices for the output of these sectors have come as close as possible to the level of world prices, and a decline in the dollar's exchange rate will lead to an inevitable decrease in export effectiveness. The main reason for a decline in export effectiveness is the lack of a connection between changes in the dollar's exchange rate and the actual rates of inflation. A less complicated situation is taking shape in Russia's fuel and energy complex: for most of the commodities it produces, the difference between world prices and the prices of Russian exports continue to be significant.

If we look at data from the Center for Economic Market Conditions attached to the Russian Government on the increase in prices for energy resources in June, exporters' apprehensions become understandable. Prices for the principal types of energy resources turned out by Russian producer enterprises have increased by 5.2 per-

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cent. The price of gas increased the most (15.8 percent). The prices for petroleum products changed only by 2.9 percent and wholesale rates for electricity changed by 4.9 percent, whereas prices for coal remained practically at the May level.

For the Present, There Has Been No Thunder Clap. For the Present

Despite the shocks expected, the customs statistics do not record any substantial changes in exports yet. Russian exports have followed the usual pattern over the past 2 weeks, generally speaking. Most of the exports consisted of energy resources, output of the paper and pulp industry, and ferrous and nonferrous metals. Russian exports of chemical industry output have increased lately as well, particularly rubber, automotive tires, products of organic and inorganic chemistry, and plastics, mostly to Germany, Bulgaria, Great Britain, Switzerland, and a number of other countries. A new trend in exports of nonferrous metals should be noted. Contracts for the shipment abroad of obsolete and simply inoperative equipment and various semimanufactures have appeared in customs summaries. A closer examination reveals that they all contain nonferrous metals. So an enterprising exporter manages to evade the requirement for contract registration, and foreign buyers acquire the raw material needed by means of inexpensive processing.

As far as import operations over the past 2 weeks are concerned, there were no substantial changes in their structure, either; foodstuffs occupy the leading positions as before. However, the volumes of food imported have begun to decrease; according to specialists, right after the new import tariff was adopted, most of the trading operations with food products shifted to the semilegal or illegal catregory. State Duma deputies asked the government last week to repeal the higher duties on food. The deputies admitted that domestic agriculture cannot be rescued by simply introducing obstructive duties. This tariff policy will result in the collapse of agricultural production and a "total shortage" which cannot be forgotten by Russians.

As far as nonfood commodities are concerned, the volume of manufactured goods, computers, and office facilities from Southeast Asia has declined substantially. At the same time, the customs statistics point out a significant increase in the volume of shipments of machinebuilding equipment and accessories for light and food industry enterprises, as well as equipment used in the trade sector. This is mainly because of large-scale construction in these areas, as well as a large influx of investments, explained by the rapid recovery of investments in these sectors.

It should be stated that there have always been quite a few ways of reducing customs costs in the importers' arsenal, but these tricks are gradually vanishing into the past. So the use of preferences for commodities from developing countries, the opportunity to "lose" a commodity following a domestic importation routine, and so forth have disappeared. With introduction of the new import tariff, we have also said farewell to the habit of understating the contract value. But on the other hand, the Customs Code provided numerous customs routines to simplify the procedure for conducting export-import operations. What is the state of affairs on this front?

There Are Various Kinds of Routines, But Do Not Count the Customs Routines

Generally speaking, we have long wanted to speak separately about the problem of using different customs routines in trading operations. It should be pointed out that 14 such routines were stipulated in the current Customs Code (though the "spare storage (import/export)" routine is not used at all in Russia now). So participants in foreign economic activity have something to choose formally. Nevertheless, it is apparent from Table No. 1 that despite the large selection, just four routines continue to be really used: direct export and import (87.8 percent) and temporary export/export, as well as spare storage. The basic problem, or more precisely the obstacle, to wide use of all the available routines is departmental law creativity. It is no secret that development of classic export and import questions is the main direction of activity here. Regulation of the cargo flow of excise commodities, where the unprecedented number of detailed documents has brought the importation and exportation of these goods to the point of absurdity, is the direction second in importance. The state of affairs with respect to customs legislation in transit questions, especially domestic transit, and questions dealing with the delivery of goods as a whole is quite complicated. To this we must add all forms of certification, as well as problems related to the number of documents required by customs, in legalizing foreign trade cargo. Often the customs officials themselves are not in a position to understand the flow of additions, directives, and explanations, brought down on them by their higher department, which obviously conflict with each other and the fundamental customs laws. There are quite a few of these in the actual customs routines. It is precisely for this reason that in formalizing the customs routines which deviate from simple free turnover (imports) or exports, complete chaos reigns, and those taking part in foreign economic activity encounter deliberate (and unintentional) arbitrariness by customs officials every day. So that our statements are not unsubstantiated, we decided to calculate, by a simple arithmetical method called addition,

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the number of GTK [State Customs Committee] orders which regulate certain customs routines and additions to them. The results are shown in Table No. 2, and no commentary is needed, in our view.

Table 1. The Use of Different Customs Routines Over 5 Months in 1995 and Their Proportion in Foreign Trade Operations, in Percent

Customs Routine	February	March	April	May	June	Total Volume of Transactions Recorded Over 5-Month Period	Proportion in Total Volume of Foreign Trade
Exports	15.66	22.86	23.61	18.29	19.60	100	19.40
Reexports	24.94	15.47	20.79	20.55	18.24	100	0.22
Temporary imports/exports	7.82	23.05	20.22	23.35	26.57	100	4.73
Imports (output for free circulation)	15.93	22.39	21.78	18.06	21.84	100	68.34
Reimports	13.64	27.27	21.82	17.27	20.00	100	0.06
Handling in customs territory (imports/exports)	13.65	23.90	23.90	16.87	21.69	100	0.25
Handling under customs control	11.34	17.23	23.53	21.85	26.05	100	0.12
Handling outside customs territory (imports/exports)	17.94	20.69	23.00	19.30	19.07	100	1.70
Customs storage	11.08	26.41	16.12	20.95	25.44	100	4.83
Rejection in the state's favor (imports/exports)	13.04	13.04	17.39	52.17	4.35	100	0.01
Destruction (imports/exports)	8.94	10.57	21.14	35.77	23.58	100	0.06
Transit (imports/exports)	9.88	25.78	24.10	21.69	18.55	100	0.21

Table 2. Correlation Between Fundamental Documents of the Russian GTK and Subsequent Explanations of Them on the Customs Routines Now in Use

Customs Routine	Number of Orders	Number of Directives and Explanations
Reimports	7	23
Transit	15	17
Duty-free stores	6	9
Handling routine	20	20
Temporary imports/exports	10	2
Customs-free zones	6	11
Reexports	9	8

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Oh, Reimports, Who Thought You up?..

Although perhaps we cannot do without commentaries. But inasmuch as this subject is very broad (we plan to continue it in the next review), let us dwell now on the routine of reimports.

For the most graphic description, let us take the reimportation of excise commodities, which includes domestic passsenger cars. It is no secret that significant numbers of the vehicles manufactured by the VAZ [Volga Motor Vehicle Plant], for example, were shipped extensively before not only to East European countries, but to the markets of West Europe and the United States as well. Now, because of the intensified competition, particularly from firms in Eastern Europe, they are being repatriated to their homeland no less extensively. It is characteristic that the prices at which domestic vehicles are being reimported are actual prices of the Western market, from $4,000 to $7,000 or $9,000. As far as our market is concerned, the prices for many VAZ models here at present are substantially higher, which makes it possible to engage in operations effectively to reimport them. Most of the firms specializing in reimportation are in Belarus and Ukraine. With respect to direct reimportation to Russia, which many Russian firms are interested in, many problems related to the level of tax payments are being encountered.

According to the Customs Code, "reimportation of commodities is a customs routine in which Russian commodities exported from the Russian Federation's customs territory in conformity with the customs routine for exportation are imported back without customs duties, a value-added tax, or excise taxes, as well as without the application of economic policy measures (allocation, licensing, and the like)."

However, the exemption of reimported goods from customs payments declared by the code conflicts with documents developed through the creative efforts of the tax and customs services. Thus, GTK Letter No. 01-13/25 of 4 January 1994 "On application of the Statute on the customs routine for reimportation" states among other things: "The applicant (read the importer) should pay the domestic NDS [value-added tax] at the old rates, that is, in effect at the time the goods were exported, but calculated on the basis of the new customs value of the goods being imported." Let us remember that "at the time the goods were exported" the old NDS rate may have been 28 percent, not 20 percent as it is now. But that is far from everything: "if the commodity is subject to excise tax, the basis for calculating the NDS also includes the new total of the 'import' excise tax, that is, calculated according to the rates used for goods imported into the territory of the Russian Federation." It should be added that the importer actually encounters the need to "repay" to the treasury the total amount of domestic taxes, evidently including the production taxes, and they all should be returned to him as soon as the commodity is exported. So if we calculate the reimporter's total expenditures just for customs payments, we obtain a figure equivalent to those to import a superclass passenger car. This directly conflicts with the appropriate article in the Russian Customs Code.

In principle, an importer has a choice (given to him by the appropriate GTK document): legalize a commodity in the reimportation routine or in the usual procedure for free turnover. What is most interesting is that in the latter case, he will have no particular difficulties and he will have to pay half as much for the simple importation of a commodity. This is an example of the customs routine intended to simplify the activity of importers.

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Correlation Between Import and Export Transactions Up to 20 July 1995, Depending on the Contracted Country (in Percent)

Exports		Imports	
1. Germany	14	1. Germany	11
2. Ukraine	12	2. Belarus	9
3. Belarus	8	3. Ukraine	8
4. France	7	4. United States	12
5. Kazakhstan	8	5. China	8
6. United States	10	6. Poland	5
7. China	10	7. Finland	7
8. Austria	4	8. Lithuania	1
9. Great Britain	5	9. India	3
10. Italy	3	10. Israel	3
11. Other countries	19	11. Other countries	33

*Analyst Views Development of Banking System

954E1224A Moscow KOMMERSANT DAILY in Russian 15 Jul 95 p 6

[Article by M. Delyagin, head of the Economic Problems Group, Analytical Administration of the President of the Russian Federation: "Banking System To Retain Dominant Position in the Economy"]

[FBIS Translated Text] **In the first five years of its existence, the Russian banking system was transformed from a purely financial factor into an economic and even a political phenomenon. The experience obtained even after such a brief history makes it possible to make certain predictions regarding the future. Mikhail Delyagin, head of the Economic Problems Group, Analytical Administration of the President of the Russian Federation, presents his concept of the development of the banking system in our country right up to the year 2000.**

Banks as the Locomotive of the Economy

For the next five years the banking system shall retain its dominant position in the economy. Being the sole reservoir of non-governmental capital, in the process of monetary privatization and re-allotment of property it will gain the "high ground" in the sphere of material production and acquire control over a significant part of the infrastructure. The tumultuous development of non-banking financial institutions (pension funds, investment, insurance, and trust companies, etc.) will also take place to a significant degree under the control of banks. This will occur not only because banks possess the greatest financial means by comparison with other institutions, but by virtue of their position, they are simply forced to seek and assimilate new markets in a more aggressive fashion. In addition to that, companies, being supported by the direct investment of bank capital and guarantees of reputable founding banks, will gain superiority over their competitors.

"Natural Selection" Will Not Evolve Into a Torrent of Bankruptcies

Prolonged financial stabilization will produce a rigid form of "natural selection" among Russian banks. Sharp limitation of the monetary pumping up of the national economy in 1995 will continue the rapid rise in demands being made on the banks by market conditions, as a result of which the number of banks finding themselves unable to compete will grow. Apprehensions concerning the possibility of massive and extensive bankruptcy of banks destabilizing economic development of the country as a whole still do not appear justified. The government will extend assistance for large banks experiencing financial difficulties. This is connected with both the social function being performed by these banks (losses by the government as a result of negative sociopolitical consequences of their bankruptcy would be considerably more than those incurred in keeping those banks afloat) and with the highly developed mutual ties between the government apparatus and the managerial apparatus of those banks. Thus, in

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the extreme case, the largest banks possess a reliable guarantee in the form of mandatory government support.

On the other hand, small banks, which are on the brink of ruin, usually have a small number of clients, most of whom keep their funds in several banks. As a rule, they are founders who use small banks as mutual credit societies. Bankruptcies of such banks will bring only limited losses even to their clients.

In addition to that it is necessary to stress that as the threat of a banking crisis grows, there will be an accelerated development of the system for insuring bank deposits consisting of three levels: a system of intrabank insurance reserves determined by the Central Bank; the internal and mutual insurance of the largest banks; and specialized companies that insure banks against bankruptcy.

Which of the Banks are More Viable?

There are no grounds to predict a significant decrease in the number of banking establishments either. Their number remains insufficient to fully service the needs of the Russian economy. There is no doubt that the largest banks can remain calm regarding their future. Relatively well protected against both arbitrary action of the government and against private rackets, they are adapted to conditions of financial stabilization to a better degree than the other categories of modern Russian banks. Their real assets, for instance, are growing with a slowdown of inflation. Despite the rise in competition, however, the unsaturated nature—and what is more important, the lack of specialization of the Russian banking market—open up broad possibilities for the survival of even the medium-size banks. With the advent of new types of operations, ever new "economic niches" will be constantly appearing which are most accessible primarily to the medium-size banks that are advantageously distinguished from the giants by their flexibility and maneuverability and by their relative reliability compared to the small banks. The fate of the small banks, however, is also far from certain. The banking crisis, of course, will weigh most heavily specifically against them. The lack of skilled personnel, subordination to the "shadow economy," and the apprehensive attitude of other subjects of the market, anticipating bankruptcies primarily among that category of banks, will all be felt. The viability of that category of banks is still much greater than it seems to cabinet theoreticians. The main path of development for small banks appears to be not bankruptcy (either with liquidation or transformation into a branch of stronger banks) but intensification of the already existing process involving their transformation into specialized financial institutions.

Banks Will Separate Into International and National Banks

The division of all Russian banks into two groups, the international and national banks, will be completed within the next five years. The former will be operating both on the domestic and the world markets, extracting maximum possible benefits from the process involved in the world system of labor division and orienting themselves toward the assimilation of new markets. The national banks, however, operating exclusively on the domestic market, will be experiencing serious difficulties connected with the limited nature of resources (both financial and human resources). At the same time the "price of transition" of the national bank into the category of an international one will be steadily rising and will possibly become prohibitive by the middle of the period being examined.

The most promising aspect of the activity of international banks will be their emergence on the world securities market. There is no doubt that the government will finally resolve the tax problems which ruined the Napoleonic plans of Tokobank and certain other banks in that sphere. It is most likely that government support of banks in their aspiration to enter the world funds market will begin with the distribution of government securities on it.

Foreign Banks Will Encounter Competition

The most active foreign banks will be operating on the Russian market "en masse" with the largest Russian ones. It is probable that many of them will be able to be the first to assimilate the most attractive segments of the market and take them under their control for a certain period of time. World authority, however, as well as a developed infrastructure (particularly outside of Russia) will be counterbalanced for most of the foreign banks by a lack of understanding of Russian specifics, excessive caution, and a formal attitude toward the client. The most probable "niche" for the foreign banks on the Russian market is likely to be: performing the function of payment transaction banks for Russian banks entering the world market; provision of an infrastructure adjusted for world-wide access; servicing their traditional clients interested in entering the Russian market, as well as national companies and joint ventures created with their participation; conduct of both international, inter-regional, and intra-regional payment transactions and other banking operations using world technologies with preservation of partial control over those systems; the leasing of modern banking equipment for use by Russian partners; operation as agents of international finance organizations (World Bank, International Bank for Reconstruction and Development,

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the International Finance Corporation); and training of personnel prepared to accept the values and the world outlook traditional for the world banking community, and, correspondingly, the training of Russian bankers in the traditions acceptable within that community.

Rates of Criminal Activity in the Banking System Are Slowing Down

The banking system of Russia is one of the most attractive spheres for investment of criminal capital. This is due both to the dynamic nature of its development and its key role in the economy. According to available estimates, not less than half of all Russian banks are being controlled by criminal organizations at the present time. In 1994-1995, however, the crime rate in the economy has slowed down because the share of enterprises which do not pay taxes to the government and are therefore within the sphere of attention of the law enforcement organs approached the critical, maximum extent manageable by society. At the present time there is a process of legalization of capital, which, in combination with the anticipated tax and necessary court reforms, will promote a decrease in the share of the criminal economy. At the same time, at present the threat of crime in the sphere of electronic communication, which is bound to grow with the expansion and internationalization of Russian electronic networks and transfer of a portion of the payment transactions to it, is being almost totally ignored. Taking into account the high level of sophistication of the Russian school of programmers and the lack of government funds for hiring skilled workers, the probability is great that electronic crimes will be counteracted only by bank security services. The possibilities available to them, however, particularly with regard to influencing those criminals operating from territories of other countries, are limited.

The crisis in the management of banks may become another problem. The reason for that is an expansion in the scale of banking operations in combination with growing complexity of their structure. That phenomenon, already being observed at the present time in certain banks (not necessarily the largest ones), sharply lowers the effectiveness of decisionmaking and execution while promoting an increase in the number of errors at all levels of the managerial pyramid and preventing not only their rectification but even realization. It is especially important that the crisis of bank management, being accelerated by macroeconomic stabilization, is manifested primarily through difficulties with the elaboration and realization of the strategy of development, which is particularly important for such young and small banks, by world standards, as the Russian ones.

Attainment of the limits of manageability is one of the most serious problems facing large banks. As indicated by experience (most of the significant commercial structures of the world, described in literature, have at one time encountered a management crisis) the need for an extremely painful reorganization of management, its restructuring as well as revision of the underlying principles, is realized with great difficulty and, as a rule, under the pressure of commercial failures.

For Russian banks, the process involved in overcoming the management crisis will be significantly prolonged by the existence of close ties between the banks and the state apparatus. On the one hand hope for government support and preservation of aid in the form of budget accounts may extend the agony of the ineffective management system, while on the other hand, the banks, blaming the government exclusively for their problems, may lose a certain amount of time in a futile attempt to resolve their internal problems by changing its politics, in the long term generally suiting their own interests.

***Commercial Banks Oppose Promissory Notes for Centralized Credits**

954E1224B Moscow KOMMERSANT DAILY in Russian 18 Jul 95 p 5

[Article by G. Baranov: "Sergey Yegorov: We Are Talking About Massive Bank Failures"]

[FBIS Translated Text] **Some time ago a joint letter was sent out to the commercial banks by the Ministry of Finance and the Central Bank which reported the emission of promissory notes to be issued to commercial banks to replace unpaid centralized credits granted by the Central Bank and interest on them for the restoration of the banks' own credit resources. That letter triggered a tumultuous reaction within the banking community inasmuch as in the opinion of bankers, this is tantamount to confiscation of funds from banks on the basis of worthless paper which were borrowed from them in 1992-1994 by the agroindustrial complex, the consumer cooperative system, and organizations which took care of the delivery of goods to regions of the Far North. Sergey Yegorov, president of ARB [Association of Russian Banks] dispatched letters to the State Duma sharply protesting this innovation.**

Centralized credit for the national economy, which in the first three years of the reforms was handled through commercial banks, as commonly known, was not repaid for the most part and no one even expected it to be. Nevertheless, upon expiration of the credit agreements, the Central Bank wrote these funds off the accounts of the banks. In the opinion of the ARB, the new

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promissory notes serve to formalize the loss of funds by the banks which found themselves at the end of the line. According to the letter from the Ministry of Finance and the Central Bank, the end-use borrowers will not be repaying banks for the centralized credit. The banks, however, instead of getting money and interest on it are getting 10-year promissory notes. Redemption of these notes begins in three years, on 15 July 1998, with an annual interest of 10 percent. Subsequently those promissory notes must be paid annually in equal shares for a period of eight years. It is assumed that the banks will be able to attract credit resources on their basis.

In the opinion of Sergey Yegorov, despite the fact that the Ministry of Finance and the Central Bank believe it is possible to use credit promissory notes as security by the Central Bank and by other banks and funds, in reality that is not so inasmuch as it is possible to obtain credit only on very difficult conditions (at rates of over 180 percent per year and for short terms of from 30 to 60 days). Such a way of attracting credit "will be ruinous and inaccessible" as far as commercial banks are concerned, in addition to which "potential creditors, including the Central Bank, are not at all interested in such operations."

If the Ministry of Finance and the Central Bank do not change their position, then it is believed in the ARB that it is possible to expect massive failure among banks which granted credit to the agroindustrial complex. That, in turn, will bring about "a catastrophe not just for the agricultural sector but for other bank clients as well, including enterprises and budget organizations, inasmuch as the Central Bank charged the banks interest at the expense of funds of other clients. Consequently, the ARB believes, the Central Bank "must return to the banks the sums that were charged or appropriate them out of the budget."

The Central Bank, of course, does not agree with that. Mr. Yegorov nevertheless proposed "in an extreme case" to resolve the problem in the following manner. First, issue guarantees to banks for obtaining Central Bank credit secured by promissory notes at 10 percent annual interest. Second, transfer GKO [government short-term bonds] and KO [short-term bonds] to commercial banks replacing the interest charged by the Central Bank. Third, "inasmuch as the funds of commercial banks are used to repay loans and interest because of the fault of the Central Bank, the requirement that these sums be deposited into mandatory reserve funds should be waived for this year."

It is true, the attitude of the banking community toward the innovation is not as unanimous as might be thought reading the letter form Mr. Yegorov. In answering questions posed by KOMMERSANT DAILY pertaining to the joint letter of the Ministry of Finance and the Central Bank, Pavel Piskov, vice president of Kredobank, noted that banks which took centralized credits in many regards have themselves to blame, inasmuch as it was clear at the outset that the money would have to repaid to the government. In connection with that, according to Mr. Piskov, Kredobank never used centralized resources. Those banks, however, which took centralized credits were guided by "pre-perestroyka" psychology: everyone knows that these are credits that do not have to be repaid. Be that as it may, the ARB, it appears, is prepared for "serious combat operations." A conference of that association devoted to this issue is scheduled in the very near future.

Problems, Outlook for Foreign Investment Program Reviewed

954E1245A Moscow KOMMERSANT in Russian 8 Aug 95 No 29, pp 30-33

[Article by Nikolay Nardul: "Russia is Great, But There is No One To Invest"]

[FBIS Translated Text] **"Investments" is a foreign word. So is "pioneer." But this is not why it is specifically foreign investments which may become the pioneers of Russia's economic revitalization. For such a supposition there are both macroeconomic prerequisites and—for now, it is true, still in the draft stages—legal conditions, and even the principles of the Integrated Program for Stimulation of Domestic and Foreign Investments, prepared by Minekonomika [Ministry of Economics].**

WHY MUST THE WINNERS IN THE STRUGGLE WITH RUSSIAN INFLATION BE FOREIGN INVESTORS?

The evolution of economic priorities in Russia in 1995 shows that the real selection of the course of economic policy was based on quite the opposite. First of all, in February, the president, in his message to the Federal Assembly, presented the ambitious task of "turning toward investments." Yet statistics show (graphic 1) [not reproduced here] that for the present time this goal, despite all its attractiveness, has not been achieved. And then investment revitalization was officially—in the 2 July speech of the prime minister presented at the session of the Consultative Council on Foreign Investments (!)—put off until next year. This year, it was decided, inflation would be brought under control.

It turns out to be a black-and-white picture: Either a struggle with inflation, or an investment upswing. At the same time, such an opposition is artificial. Investments

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can also be made under conditions of inflation. And on the contrary, as the experience of 1995 testifies, the reduction in the level of inflation certainly does not necessarily lead to an automatic growth of investments.

In Russia, however, the struggle with inflation has become a fetish, on which both the home-grown monetarists and the experts at the IMF [International Monetary Fund] have worked. It was specifically the anti-inflationary fervor which brought to life the latest hit in economic policy—the strengthening of the ruble. An obvious example: The support of the dollar at MICE [Moscow Interbank Currency Exchange] was given by the tightening of reserve requirements of the CB [Central Bank] to commercial banks, which was viewed as a strong-acting anti-inflationary means, limiting the credit activity of banks. As a result of the overly diligent struggle against inflation, there was primarily a reduction in the domestic investment resources. Yet inflation continued—the buy-up of dollars by the Central Bank led to the appearance of over 10 trillion rubles (R) in circulation.

We will have to climb out of the investment hole. For the present time, economic policy under the flag of an uncompromising struggle with inflation is clearing the way for foreign investors, depriving Russian investors of their chances. It is no accident that the government expects to increase the relative share of foreign investments in the overall volume of capital investments (see table). The question is, will these investments come?

TOP 10 COUNTRIES MAKING INVESTMENTS IN rUSSIA IN 1994 BY VOLUMES OF CONTRIBUTIONS TO CREATED SPs [joint ventures]

NO.	COUNTRY	RELATIVE SHARE IN OVERALL SUM OF FOREIGN INVESTMENTS IN RUSSIA (in percent)	CAPITAL (million rubles)	NUMBER OF REGISTERED SPs
1.	USA	24.1	30967.7	872
2	Hong Kong	6.9	8810.3	66
3	Italy	6.5	8320.4	320
4	Switzerland	5.0	7465.0	195
5	Canada	4.0	5090.5	126
6	Great Britain	3.3	4208.7	361
7	Spain	3.2	4152.9	72
8	Turkey	3.2	4133.9	75
9	Belgium	2.8	3547.6	76
10	China	2.5	3166.1	311

Based on data of the Russian Agency for International Cooperation and Development and the Registration Department of Minekonomika.

IS THE INVESTMENT CLIMATE WARMING UP?

At the level of changes in the legal environment for investments—and primarily foreign investments—expectations of a warming are fully justified. Although the general idea consists of having foreign investments in Russia make use of the national regimen, the draft laws submitted by the government to the Duma, "On Free Economic Zones," and "On Introducing Amendments Into the Law, 'On Foreign Investments'," open up new perspectives for foreign investments. The Duma has already adopted the law, "On Agreements on Production Sharing'."

It is true, the fate of the Law on Production Sharing is rather eloquent testimony to the difficult process of organizing foreign investments in Russia, and to how deeply ingrained their non-acceptance has become. KOMMERSANT wrote in detail about this law in its issue No 27, and since that time the law has twice failed to receive approval of the Federation Council. However, the developers of the law consider it a victory that the senators did not reject it altogether. The opponents of the law raised on their shield the idea of insufficient protection of the interests of the Russian side. Ultimately, the procedure of voting by

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survey sheets was ratified. Although the decision of the Federation Council will be adopted in this manner no sooner than the Fall, at least, in the words of Yuriy Shafranik, Minister of Fuel and Energy and Federation Council deputy from the Khanty-Mansi District, in the local areas the senators will sooner understand the attractiveness of the new law.

HOW THE GOVERNMENT INTENDS TO ATTRACT INVESTMENTS

The government, in fulfilling its role function, naturally exhibits concern over the future economic revitalization. The latest example of this is the Integrated Program for Stimulating Domestic and Foreign Investments in the Economy of Russia which was developed by Minekonomika.

The program contains several basic contentual innovations. First of all—the emphasis on insurance and guarantees of investments and the development of a competitive system of placement of centralized investment resources. An understanding of how the mechanism of security deposit insurance may appear in practice may be seen in the example of the credit-barter operation realized from the Russian side by "Tyumenimpeks" and the Sibneftebank [Siberian Oil Bank]. The foreign participants in the deal are the Deutsche Bank and the German firms Veba Oil and Konimpex. The scheme proposed by the Tyumen Oblast administration includes granting credits using export oil as the security deposit. The money for the export oil goes to a special account in Deutsche Bank as the sum of the security deposit. The bank, in turn, issues the Tyumen residents credit for a term of 5 years in six times the amount of the security deposit. The allocated funds are used to buy the latest technologies and equipment. In principle, it is specifically variations on this theme (we might add, their range has significantly narrowed since the repeal of the state export quotas), that must comprise the basis of insurance and guarantees of investments. Moreover, the "load-bearing structure" of the insurance and guarantees must become the Russian regions, and evidently not all of them, but only those which have at their disposal products which are in demand on the world market.

As for the investment competitions, the program proposes adoption of the government decree, "On Supplemental Stimulation of Private Investments." The document provides, first of all, for certification of the investment project. The importance of the procedure consists of the fact that the certified project must take its place in the developed classification. The classification, in turn, has the most direct relation to the allocated government guarantees. The source of granting the guarantees is the federal budget.

[KOMMERSANT] *The proposed gradation of governmental guarantees is follows: 50 percent of the cost of the project—in the case of production of products which have no analogs not only in Russia, but also in the world; 40 percent—if the project provides for production and export of products of the processing industry; 30 percent—in production of import-replacing products at prices below those of the import goods; 20 percent—in production of products which satisfy domestic solvent demand.*

Thus, the program developers decisively—and justifiably—rejected the traditional choice of lists of priority sectors based on certain state interests, which are not known for certain to anyone, in favor of purely market criteria. At the same time, the attractiveness of investment competitions has significantly increasd. While up until now the state support of investment projects was expressed only in granting credits from budget funds or in direct participation of the state in a project, the Minekonomika program provides for investors, including foreign investors, to receive government guarantees. According to the available estimates, Russian commercial banks alone are ready to invest R2 trillion in government guarantees in 1996.

MARS IS BEGINNING AND WINNING

Another channel for attracting foreign investors is investment agreements. According to the law on the customs tariff, the government is authorized to grant customs preferences. This is the mechanism of attracting investors which is contained in the investment agreements.

In January of 1995 the president signed the edict, "On Supplemental Measures for Attracting Foreign Investments to the Sectors of Material Production of Russia," which introduced the practice of granting preferential import duties. Foreign firms realizing investment projects in Russia in total volume of no less than $100 million, upon contribution of no less than $10 million into the statutory capital of a Russian enterprise for the period specified in the investment agreement between the company and the Russian Ministry of Economics, received the right to import their finished product into Russia on preferential conditions (up to exemption from payment of import duties). In April, the government approved the investment agreement of Minekonomika with the Mars company, which is building its enterprise in the city of Stupino near Moscow, although initially these preferences were intended for firms producing cigarettes. And so, Mars has turned out be more enterprising than its predecessor, the foreign trail-blazer on the Russian market—the McDonald's company.

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In July, on the basis of the Mars pilot project, the government approved a standard investment agreement. However, up to the present time the customs preferences on Mars candy products are not operating. Jeff Smith, vice president of the "Mars-Russia" firm, presents an emphatically loyal version: The problem is that the investment agreement sets a precedent, and therefore the Russian departments are taking an especially thorough approach to its development. As KOMMERSANT learned from sources in Minekonomika, the delays were caused by the fact that the implementation of the investment agreement coincided with the intensification of the struggle against tariff preferences. Now, in order to receive preferential benefits it is necessary to submit an accounting, confirming the fact that the interests of the budget will not be adversely affected. In 1994 the customs duties on Mars products comprised $52 million. In order to reduce—in accordance with the agreement—the duty by two times, it was necessary to convince Minfin [Ministry of Finance] of the fact that the budget will not be the loser because of this, and that it will get its due through taxation of the Stupino enterprise itself. However, if there are no preferential benefits, then there will also be no enterprise. Today the coordination has been completed, and in the nearest time a presidential edict approving the preferential benefits for Mars products will be signed.

Awaiting their turn are the projects of the Cadbury (chocolate), United Technologies (aviation optics) and General Motors (jeeps) companies. Thus, granting of incentive benefits should open the way for development of large-scale assembly production in Russia on the basis of foreign investments.

FOREIGN PORTFOLIO INVESTMENTS: THE BOOM IS NOT FAR OFF, BUT BEYOND THE ELECTIONS

The most plentiful source of influx of foreign investments beginning in 1994 is investments into Russian securities. This current has known periods of both influx and ebb, caused by the market (stir over conclusion of voucher privatization, low price of Russian securities, legal vulnerability of the status of foreign participants in Russian privatization, absence of necessary infrastructure, lack of skill by Russian managers in working with stockholders), as well as non-market (phenomenon of Polevanov, the Chechen War) reasons. Nevertheless, according to the estimate of the American Chamber of Commerce in Moscow, in 1994 Western portfolio investments in Russia, which comprised $2 billion, exceeded direct investments by more than two times.

In May, KOMMERSANT had already presented the optimistic predictions of Boris Jordan. The American financier practicing on the Russian securities market believes that, by the second half of 1996, the situation on the stock market will change drastically, and that its growth will take on an avalanche-like character. The basis for this prediction is the simultaneous action of three factors: The start of the 4-year period of stability; the formulation of a decent market infrastructure, which will ensure adherence to the elementary rules of conducting business and the rights of ownership, which are desired by large Western investors who are awaiting their hour; the fact that Russian strategic investors will emerge on the operative expanse.

The Integrated Program for Stimulating Domestic and Foreign Investments contains numerous points whose fulfillment will bring the realization of Boris Jordan's predictions closer. First of all, this is the increased protection of the rights of shareholders in accordance with the laws on the securities market and on joint-stock companies.

The Federal Commission on Securities, in conjunction with the Russian banks and brokerage firms, is working on creating such a pillar for the securities market as the Depository-Clearing Company, which will be responsible for performing accounting and for the reliable storage of securities. The standards of depository activity must be brought closer to Western ones and, accordingly, will become one of the factors in attracting foreign investments.

The program also proposes changing the taxation of securities operations. First of all, the correction for inflation must be taken into consideration. Secondly, the profits of stockholders in investment funds today fall under double taxation, which should not be. Third, it is necessary to bring about order in the taxation of principal activity.

SPECIFIC OPINION OF MINFIN

The complexity of the government position in attracting foreign investments consists of the fact that, strictly speaking, it cannot independently give investors either tax benefits (this is the prerogative of the legislators) or any guarantees or credits (over those specified in the budget). Moreover, within the government itself there is an active domestic opponent—Minfin. Its defense of the budget already has to its credit the two failed presidential edicts on stimulation of foreign investments. The first was dated 23 September 1993—"On Development of Work with Foreign Investments." At that time, the president tried to introduce for enterprises with foreign investments a 3-year immunity in regard to any statutes of the Russian authorities (except for laws and presidential edicts) which could inflict material detriment

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upon the foreign investors. The edict merely remained on paper, primarily thanks to the obstructionist tactics of Minfin, which decided to take a strict legal position and refused to implement the edict, which had not been approved by the legislators.

Minfin also did not agree with the presidential edict which extended to enterprises with foreign investments (no less than $10 million) engaging in material production the regimen of taxation of profits granted to small enterprises. In any case, the standards of the edict were not included in the project for introducing changes into the law on taxing profits of enterprises and organizations which was prepared by this department.

Thus, foreign investors receive a cold greeting in Russia not only from certain legislators. However, this does not negate the optimism, although reserved, in regard to a future influx of foreign investments. If the Russian economy withstands the day of the electoral campaigns without significant cataclysms and holds out through the night of their political results, it will be greeted by an investment upswing, in which a significant role will surely be played by foreign investments.

[Begin boxed material]

FROM AN INTERVIEW WITH "MARS-RUSSIA" COMPANY VICE PRESIDENT JEFF SMITH

[KOMMERSANT] How is the realization of the investment agreement going?

[Smith] We are still expecting final ratification of the agreement by the government, but we hope that this will occur in the next few weeks. The process of ratification has taken more time than expected, since the agreement is the first of its kind.

[KOMMERSANT] How much has the MARS company already invested in the Stupino project?

[Smith] Over $100 million.

[KOMMERSANT] What is the biggest headache for the company?

[Smith] The unpredictability of not only the economic, but also the legislative situation. It is very difficult to plan and manage a complex enterprise, to invest large sums and to develop new projects when the business structure on which the decision making is based changes sharply and unpredictably.

[KOMMERSANT] Do the company's products receive any preferential benefits upon import into Russia?

[Smith] According to the conditions of the investment agreement, the MARS Company should get tariff preferences. However, until the agreement is ratified, the preferences will not be granted.

[KOMMERSANT] What advice can you give to other foreign investors who are ready to conclude investment agreements?

[Smith] The situation will be unique for each investor. The only thing we can say is that contacts with the departments, and especially with Minekonomika and MFER [Ministry of Foreign Economic Relations], can be rather useful. We advise other companies to allocate the time, as well as the means, to work with them.

[End boxed material]

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INTERVIEW WITH DEPUTY MINISTER OF ECONOMICS VLADIMIR KOSSOV

[KOMMERSANT] What measures for attracting foreign investments has Minekonomika included in the Integrated Program for Stimulation of Investments?

[Kossov] For the influx of foreign investments, as we might add, also for increasing the volume of domestic investments, it is necessary first of all to improve Russia's image as a sphere of profitable and relatively safe application of capital. It is specifically for this reason that last year and at the beginning of this year we adopted the decisions on preferences in taxation of profits of commercial organizations with foreign investments, exempted the import equipment and spare parts for it, as well as the credits in currency obtained from foreign banks, from the NDS [value-added tax] and the special tax, and repealed the quantitative limitations on keeping current accounts. As of the beginning of 1996, the tax on above-norm expenditures for payment of labor wages will be repealed. Finally, we want to apply the national regimen to foreign investors.

[KOMMERSANT] What can the government do to facilitate the position of foreign investors, and what can parliament do?

[Kossov] The Federal Assembly has already reviewed the principle draft laws in the sphere of international investment cooperation. Primarily, the law, "On Introducing Changes and Amendments Into the 'Law on Foreign Investments'," the law, "On Agreements on Product Sharing," and the draft laws on free economic zones and on concessions agreements. In the near future, the Tax Code will also be adopted, which will regulate the procedural relations in tax verification, introduce changes into the tax legislation and the standard statutes, and regulate relations of taxpayers with the tax organs.

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Two principally new ideas—certification of projects and state guarantees to investors—will be reflected in the government draft decree, "On Additional Stimulation of Private Investments." Certification of a project will certify its quality and define the amount of state support. Even with a project risk of 50 percent, the amount of necessary state funds is reduced by at least 4 times. By 2 times in connection with the risk, and by 2 times in connection with the compensation of insurance payments on the basis of realization of the security deposit. We expect that certification will help to expose projects which will gain greater trust of foreign investors.

[KOMMERSANT] What is proposed in the sphere of insuring foreign and domestic private investments?

[Kossov] In accordance with our program, legislative and normative statutes are being prepared which will define the general principles of insuring investments. Specifically, a list of the insured cases of non-return of target funds, amounts of insurance premium, order of concluding insurance agreements, rights and reponsibilities of the parties upon occurrence of an insurance case will be provided. And, naturally, we must specify the role of the state in the control or management of the activity of insurance institutions. Today we are working on proposals regarding full-scale inclusion in the international system of insuring investment risks within the scope of MIGA [not further identified].

The provision of investments and their insurance is a valuable and easily realizable asset, as are the property rights granted as a security deposit from the federal, regional and municipal property, as well as by individuals and legal entities.

[KOMMERSANT] In what forms do you expect the influx of foreign investments?

[Kossov] Today, primarily by means of the sale of packets of stock in privatized enterprises to foreign investors. But there will also be direct investments and credits. Therefore, we intend to accelerate the introduction of the concept of the nominal holder of securities for resolving the problems with registration of stockholders. The program of guarantee signatures will be implemented, which will place upon brokers the responsibility for verifying the identity of their clients. We are developing standards for keeping a register of stockholders, as well as performing depository activity on the securities market.

One other direction which will require development is that of attracting investments in the form of credits, with the condition of their repayment through product deliveries.

[KOMMERSANT] Recently, discussions have died down regarding amnesty of "unlawfully exported capital" which must be returned practically before 1 January 1996. Has Minekonomika rejected this goal?

[Kossov] The idea remains, but how to realize it? And the matter is not one of dates, but of how to create a favorable investment climate. Well, and practically in spite of this variant, a law on the order of export of capital is being developed, which provides for increasing responsibility for the unlawful export of capital abroad, and for leaving in foreign banks the price differential between exported goods and services and those imported at increased prices.

[End boxed material]

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BASIC DOCUMENTS REGULATING ACTIVITY OF FOREIGN INVESTORS IN RUSSIA

4 July 1991. The law, "On Foreign Investments in Russia." The national regimen is extended to foreign investments, SPs [joint ventures] have retained certain benefits only in foreign economic activity. *In connection with the adoption of the law, "On Certain Questions of Granting Benefits to Participants in VED [Foreign Economic Activity]," adopted in March of 1995, preferential benefits of SPs now named in the law, "On the Customs Tariff," are repealed. The basic content of the practically prepared new edition of the law on foreign investments is the introduction of a 5-year period during which the enterprise with foreign investments (no less than 30 percent foreign participation and no less than a certain sum—R100,000 in the draft— of actual contribution by the foreign partner) is exempted from statutes of Russian authorities which may inflict material detriment upon the investors.*

21 February 1992. The law, "On Mineral Resources." Licenses for use of mineral resources are introduced, and extend both to concession agreements and to agreements on production sharing. *The basic problem in adopting the law, "On Agreements on Production Sharing," is the coordination of the agreement mechanism for determining the volume of payments by the investor with the administrative procedure of obtaining licenses.*

4 June 1992. The presidential edict, "On Certain Measures for Developing Free Economic Zones." Halved export duties are introduced on raw materials obtained in FEZs [free economic zones]. *Free economic zones need a much greater volume of benefits, which only a special law on FEZs may provide. Its preparation is actively being conducted.*

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8 April 1993. Letter of the Central Bank, "Conditions for opening banks with participation of foreign investments on the territory of Russia." The conditions: The sum of contribution of at least one of the foreign partners must be no less than $2 million; a CB license. *Despite the metamorphoses of regulation—at the end of 1993 a moratorium was introduced until 1 January 1996 on the activity of foreign banks in Russia, then part of the foreign banks, primarily European, were excluded from the effect of this moratorium—the CB conditions remained unchanged.*

15 June 1993. The GTK [State Tariff Committee] order, "On Partial Exemption from Payment of NDS on Goods Imported as Contributions to Statutory Funds." The exemption extends to all goods, except for those subject to excise tax, for the term of formulation of the statutory fund. *There are proposals within the scope of amendments to the law, "On the Customs Tariff," to introduce new limitations—that these benefits may be used only by SPs in which the real contribution of the foreign partner is no lower than a certain threshold value—but the chances of introduction of additional limitations are rather slim.*

1 April 1994. The government decree, "On Organization of Work with Foreign Investments." The Federal Center for Project Financing and Consultation Assistance to Foreign Investors (under Minekonomika) is created. *In essence, the new structures are created in place of the abolished Russian Agency for International Cooperation and Development (RAMSIR).*

2 June 1994. The letter of the State Tax Service, "On certain questions of taxation of foreign investments." Credits in foreign currency obtained by taxpayers are not subject to payment of NDS or special tax. *This is the result of lobbyist activity by the Consultative Council on Foreign Investments in Russia. The council, whose chairman is Viktor Chernomyrdin, includes leaders of 16 major companies of Europe, the USA and Japan.*

6 June 1994. The government decree, "On the State Registration Department Under Minekonomika." The department registers enterprises with foreign investments. *The process of replacing the liquidated RAMSIR continues.*

30 June 1994. The government decree, "On the Order of Determining Products Imported by SPs for Their Own Needs." Defines the order of determining products for one's own needs, which are exempted from import duties in accordance with the law on foreign investments (except for goods subject to payment of excise tax). *This same benefit is provided also in the law, "On the Customs Tariff," and means that the anti-preferential measures in the law, "On Certain Questions of Granting Benefits to Participants in VED," do not extend to the order specified by this decree.*

28 August 1994. The government decree, "On Intensifying Work on Attracting Foreign Investments." The structure of the Consultative Council on Foreign Investments is ratified.

25 January 1995. The presidential edict, "On Supplemental Measures for Attracting Foreign Incvestments in the Sphere of Material Production." Foreign companies implementing projects in Russia whose value is no less than $100 million, with their own contribution being no less than $10 million, who have concluded investment agreements with authorized departments, import their finished products paying 50 percent of the rates of import duties. *Today this is almost the only legal import benefit. For the present time, it may actually be used only by the MARS company, but the edict is aimed at the development of assembly production in Russia.*

27 January 1995. The GTK letter, "Explanation on benefits in formulating a statutory fund," New: Exemption from NDS is limited to one year from the moment of registration of the SP. *Fiscal advance against foreign investors continues.*

24 July 1995. The government decree, "On Instituting the Statute on the Order of Conclusion and Realization of Investment Agreements." A standard investment agreement is ratified. *Investors who are participants in the agreement receive the right to preferential duties for the import of their products into Russia.*

*Additional Amendments to Statute on Export Control

954E1234A Moscow DELOVOY MIR SUPPLEMENT PRAVO I EKONOMIKA in Russian 26 Jul 95 No 27, p 3/25

[Text of "Russian Federation State Customs Committee [GTK] Order No. 410 of 26 June 1995 on the Introduction of Amendments to Addition 1 of Supplement 9 of Enclosure 5 of GTK Order No. 610 of 12 December 1992"]

[FBIS Translated Text] To implement Russian Federation Decree No. 521 of 24 May 1995 "On the introduction of amendments and additions to the Statute on the Procedure for Controlling Exportation from the Russian Federation of Equipment, Materials and Technologies Used in the Development of Missile Weapons."

1. The following amendments and additions are to be made to the Statute on the Procedure for Controlling Exportation from the Russian Federation of Equipment, Materials and Technologies Used in the Development

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of Missile Weapons cited in Addition 1 to Supplement 9 of Enclosure 5 of Russian GTK Order No. 610 of 12 December 1992 (the enclosure to GTK Order No. 540 of 20 December 1993).

In Subparagraph 2, Paragraph 4, the words "by Directive No. 20-rp of 11 January 1993 issued by the Russian Federation President (worded as the RF President's Directive No. 744-rp of 19 Novemnber 1993)" are to be replaced by the words "by Directive No. 193-rp of 25 April 1995 issued by the Russian Federation President."

In Subparagraph 1, Paragraph 7, the words "by the working organ of Russia's export control—the Export Control Division of the Russian Federation Ministry of Economics" are to be replaced by the words "by the Russian Federal Service on Currency and Export Control."

Subparagraph 2, Paragraph 8, the following words are to be added after the words "by the Russian Federation Ministry of Foreign Economic Relations": "and the Russian Federation State Committee on Military-Technical Policy."

In Subparagraph 4, Paragraph 8, the words "to the Export Control Division of the Russian Federation Ministry of Economics (103009, Moscow, Okhotnyy Kow 1)" are to be replaced by the words "to the Russian Federal Service on Currency and Export Control."

In Subparagraph 5, 6 and 8 of Paragraph 8 and Subparagraph 4 of Paragraph 11, the words "of the Export Control Division of the Russian Federation Ministry of Economics," "by the Export Control Division of the Russian Federation Ministry of Economics," and "the Export Control Division of the Russian Federation Ministry of Economics" are to be replaced, respectively, by the words "of the Russian Federal Service on Currency and Export Control," "by the Russian Federal Service on Currency and Export Control," and "the Russian Federal Service on Currency and Export Control."

Subparagraph 7, Paragraph 8, is to be reworded as follows: "The decision is to be sent by the Russian Federal Service on Currency and Export Control to the Russian Federation Ministry of Foreign Economic Relations, but with respect to goods and services in the field of military-technical cooperation, the decision is to be sent to the Russian Federation State Committee on Military-Technical Policy. A copy of the decision is to be sent to the applicant."

[Signed]**Chairman of the Russian GTK, A. Kruglov**

***Review of Aircraft Industry, MiG-29 Exports**

954E1233A Moscow DELOVOY MIR in Russian 31 Jul-6 Aug 95 p 23

[Interview with Aleksandr Ageyev, adviser to the general director of the Moscow Aviation Industrial Association—MAPO—and head of the association's Strategic Analysis Service, by DELOVOY MIR correspondent Aleksandr Stushnov: "The Secret of the MAPO-MiG's Success"]

[FBIS Translated Text] ***In the article "The State System's Reliance on the Elite of the VPK [Military Industrial Complex]," published in the 11 July issue of DELOVOY MIR (No. 124), we acquainted raders with new trends in the state system for Russia's military and technical cooperation with other countries and the place held in it by one of the leading specialized exporters—the Moscow Aviation Industrial Association, which manufactures combat aircraft of the MiG family. The MAPO-"MiG" is one of the few VPK enterprises which has become an integral part of the market system and has boldly asserted itself in the foreign market. Aleksandr Ageyev, adviser to the general director and head of the association's Strategic Analysis Service, tells DELOVOY MIR correspondent Aleksandr Stushnov how the MAPO-"MiG" achieved its success.***

[Stushnov] Aleksandr Ivanovich, what has played a decisive role in the MAPO's viability?

[Ageyev] Well, 1992 was catastrophic for all of the VPK, and our enterprise in particular. However, 3 years have gone by, and MAPO is now the leader among exporters of military equipment. Several factors played a crucial role in this.

First of all, the technical and economic perfection being offered to the product's market. This is a competitive commodity. Our contracts with Hungary, Slovakia, Germany, Romania, Malaysia, and India concluded over the past 2 years are excellent indicators of our success.

Our history is a second factor. Over the past 30 years we have put about 6,000 aircraft on the foreign market. We have turned out 25,000 aircraft; of this number, 10,000 are in service and 3,500 are in 50 foreign countries. And although they have been delivered through the channels of specialized organizations, the fact remains that the MiG brand is known throughout the world.

[Stushnov] It is unimportant here to mention how they were sold and at what price. After all, they have been advertised.

[Ageyev] Yes, the successful use of fighters in the MiG family in the many military conflicts in the cold war—

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in Korea, in Vietnam, and in the Arab world—served as advertising.

A third factor. Under the conditions of the collapse of 1992, the enterprise's management succeeded in taking a combination of steps, including in production and financial policy, marketing, and work with subcontractors, making it possible to rescue production. Economic ties with subcontractors were probably the most difficult problem. After all, after the collapse of the USSR and elimination of the Gosplan and Gossnab [State Planning Committee and State Committee for Material and Technical Supply], the system for planning and supply was destroyed. The defense sectors suffered the most painful effects from this. Numerous links in the technology chain were privatized. In spite of this, we did not lose a great deal and we brought about successful interaction with the subcontractors (we have about 400 of them). There was a sharp improvement in the quality of management through rejuvenation of personnel and attraction of leading specialists from state organizations. The upper and middle levels of our management now include persons who are 50 years old and 30 years old. This blend of experience and youthful boldness produces a great deal.

[Stushnov] But at the same time, the strong will of management has probably played a role too. After all, most enterprises were in a similar situation at that time. But far from all of them were able to prove themselves, although their startup conditions were roughly identical.

[Ageyev] Of course. It was precisely the blend of technological potential and the people's free will that played the principal role. Plus the firm's 100 years of experience. After all, we have had to surmount crises more than once. There was a critical conversion after the war, then in the 1960's when decisions that were not well-considered were taken in our airpower doctrine. And of course, the 30 years of experience in delivery for the foreign market.

[Stushnov] What was the process of obtaining independence to operate in the foreign market like?

[Ageyev] That is a story worthy of our memoirs. Briefly, this was the situation. When foreign trade was liberalized at the end of 1991, a large number of people became involved in exporting; they smelled the intoxicating aroma of economic freedom and operated practically without any control, often to the detriment of the state's interests. Previously unknown middlemen attempting to sell MiG's made their appearance. At that time, only an idler would not offer aircraft to Malaysia. Many of those who had the privilege of access to the persons who made decisions were engaged in this activity. Hence the various bureaucratic absurdities of that era. Whoever wanted to offer a MiG did so, but we were the only ones actually manufacturing the combat MiG's. The orgy of middleman operations led to our loss of face in the very sensitive and subtle arms market. An end had to be put to it. At the end of 1992, exclusive rights to export MiG aircraft were given to the MAPO and the MVES [Ministry of Foreign Economic Relations] by a government decision. We have held the status of national exporter since 1994. And we deserve it. For the government commission which considered this question, the arguments in favor of granting the association this status were: production capabilities, experience in foreign economic operations, personnel potential, a diversified and full-fledged infrastructure, and information capacity.

[Stushnov] The MiG-29 is an obligatory exhibit at all air shows. Why are buyers interested in it, in your opinion?

[Ageyev] A buyer wants the best possible product, of course, and we try to satisfy his needs. The process of refining the MiG-29 is continuous. For example, its potential has tripled when compared with the 1980's version. It has a very high degree of flexibility and equipment. We can install various systems, including those requested by the buyer and foreign systems. We have practical experience in integrating domestic and foreign systems, particularly with Germany and France. Generally speaking, we are continuously aware of the buyer's interest and we maintain a high level of innovation.

[Stushnov] There was a lengthy discussion in Germany about the possibility that the Bundeswehr might adopt the MiG's inherited from the GDR. How were they persuaded to use our aircraft?

[Ageyev] The Germans studied the performance of the MiG's, their armaments, their maintenance capabilities, and finally, purely economic criteria with their typical scrupulousness. As a result, the decision was made to use the MiG in the Bundeswehr. The best German aces are now flying in our aircraft and provide the most flattering assessments. Joint maintenance has beern organized and a joint service enterprise has been established. As far as the combat effectiveness of our fighters is concerned, you can judge for yourself: in the traditional NATO exercises in Sardinia in which F-15, F-16, F-18, and "Mirage" aircraft take part, the MiG-29 is demonstrating combat effectiveness of practically 100 percent. This is a very serious argument.

[Stushnov] As we know, the MiG-29 is distinguished chiefly by its ideal airframe. Discussions in precisely this context were held in Europe on the possible use of the MiG as the base model for development of a Eurofighter. What are your chances in this area?

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[Ageyev] Participation by the MAPO-"MiG" in development of a Eurofighter is quite likely. However, there are several opposing factors here. First of all, financing for the program to develop a Eurofighter is slipping. Interim solutions on the financing are adopted each year. Because expenditures have been cut, the technical ambitions of the Eurofighter developers are much more modest than they were initially. Secondly, a Eurofighter developed on its current basis promises to cost an astronomical sum on the order of $90 million, and quite naturally, taxpayers have the right to be interested in seeing whether the price corresponds to the quality. This is the weakest point here. The Eurofighter intended as a counterbalance to our MiG-29 and Su-27 turns out to be deliberately inferior in comparative effectiveness. Not to mention the fact thast the Eurofighter exists only in designs, but our aircraft are turned out in series. On the other hand, the program to develop a Eurofighter involves on the order of 100,000 jobs in Germany, Italy, Spain, and Great Britain. A very important factor which influences parliamentarians. But we continue to have a good chance, all the same. Although a great deal will depend on purely political decisions, on our relationships with NATO, for example.

[Stushnov] In a recent briefing, the Russian Federation president's assistant for military and technical matters, Boris Kuzik, said that seven regional programs for arms exports have been worked out. Which ones is MAPO taking part in?

[Ageyev] Practically all of them. We are working with 30 countries which are potential MiG importers. Last year we sold products and services valued at $1.5 billion in the foreign market.

Generally speaking, it should be said that we consider our mission not only to preserve the Russian school of aviation thinking and production, but in "a gathering of aviation countries" as well. We and Russia as a whole can expect a new wave of severe competition in the high-tech sphere. The outcome of this struggle will determine Russia's place in world economics and politics. So the aerospace sector has a great professional duty to the country.

*Decree 697 on Use of Seaport Terminals to Export Oil

954E1233B Moscow DELOVOY MIR in Russian 31 Jul-6 Aug 95 p 14

[Text of "Russian Federation Government Decree No. 697 of 10 July 1995 on Use of the System of Major Oil Pipelines, Petroleum Product Pipelines, and Terminals in Maritime Ports to Export Oil and Petroleum Products Outside the Russian Federation's Customs Territory"]

[FBIS Translated Text] In order to provide for the rights of petroleum and petroleum product producers, the Russian Federation Government **decrees:**

1. That it concurs with the proposal by the Russian Federation Ministry of Economics, Ministry of Fuel and Energy, and Ministry of Foreign Economic Relations to grant petroleum and petroleum product producers who have acquired the right of access to the system of major oil pipelines, petroleum product pipelines, and terminals in maritime ports to export oil and petroleum products outside the Russian Federation's customs territory the right to concede (transfer or sell) this right of access to other economic agents.

That the Basic Conditions for use of the system of major oil and petroleum product pipelines and terminals in maritime ports to export oil and petroleum products outside the Russian Federation's customs territory, established by Russian Federation Government Decree No. 1446 of 31 December 1994 "On the exportation of oil and petroleum products outside the Russian Federation's customs territory beginning on 1 January 1995" (Collection of Russian Federation Laws, No. 2, Article 162, and No. 17, Article 1534, 1995), are to be supplemented by Paragraph 8, as follows:

"8. Oil and petroleum product producers who have the right of access to the system of major oil and petroleum product pipelines and terminals in maritime ports to export oil and petroleum products outside the Russian Federation's customs terrtitory have the right to concede (transfer or sell) this right to another organization, based on an agreement concluded between them to adhere to the requirements of civil laws for the period and under the conditions stipulated in the agreement with the "Transneft" Joint-Stock Company and in the volumes established by quarterly schedules for the transportation of oil and petroleum products, with notification to be given to the Russian Federation Ministry of Fuel and Energy within 3 days from the time the agreement to concede the right of access to the system cited is concluded."

2. When production contracts are concluded with the "Transneft" Joint-Stock Company, the Russian Federation Ministry of Fuel and Energy is to ensure adherence to the requirements stipulated by the Basic Conditions for using the system of major oil and petroleum product pipelines and terminals of maritime ports for exporting oil and petroleum products outside the Russian Federation's customs territory.

3. The Interdepartmental Commission to regulate matters associated with use of the system of major oil and petroleum product pipelines and terminals in maritime ports to export oil and petroleum products outside the Russian Federation's customs territory is to monitor use

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of the right of access to the system of major oil and petroleum pipelines and terminals in maritime ports.

Analysis of Russian Machinebuilding Industry

954E1233C Moscow DELOVOY MIR in Russian 31 Jul-6 Aug 95 pp 8-9

[Report by Rudolf Kulagin and Lyudmila Zakharova, experts at the Institute of Commodity Traffic and Wholesale Market Conditions: "Neither Good Nor Bad"]

[FBIS Translated Text]

Production

Some improvment in the situation has been observed. The volume of industrial production in machinebuilding from January to April 1995 was 95 percent of the same period in 1994 (for large and medium-sized enterprises). But the proportion of machinebuilding in the total volume of industrial production increased only intermittently, and in this case the monthly fluctuations are very significant.

According to our forecasts, production volume by the end of 1995 will not reach last year's level, but 98 to 99 percent of it. This is primarily linked with the further decline in effective demand because of the shortage of buyers' working capital, as well as the change in the pattern of products turned out, which requires more time to develop mass production.

Table 1 shows the dynamics of industrial production by months (for large and medium-sized enterprises):

Table 1

		Proportion in Percent, 1995		Production Volume in Percent of Preceding Month in 1995					
	December 1994, in Trillions of Rubles	First Quarter	Second Quarter (estimated)	January	February	March	April	May	June (estimated)
Industry	43.8	100.0	100.0	91.0	99.5	106.0	92.0	101	100.0
Including:									
Machinebuilding and metal working	9.2	21.0	19.0	80.0	112.0	109.0	87.0	95.0	98.0

The output of certain types of products has been increased compared with last year:

— power engineering machinebuilding, by 9 percent;

— instrument building, by 25 percent, including cash-control equipment, by 221 percent; and

— motor vehicle manufacturing, by 7 percent.

At the same time, a decline in production continued for the following:

— machinebuilding for electrical engineering, by 16 percent;

— railroad machinebuilding, by 10 percent;

— agricultural machinebuilding, by 18 percent; and

— machine tool manufacturing, by 12 percent.

Production of small agricultural equipment for private subsidiary plots, which were in steady demand in 1994, has declined: minitractors, by 41 percent, and motorized cultivators with replaceable implements, by 27 percent.

The proportion of products whose production reached a level above 100 percent was 30.2 percent of the total volume of products in the January-April period, 33.1 percent in the January-May period, and 28.8 percent in the January-June period (estimated).

It should be pointed out that the increase in output was not due to a corresponding increase in demand, with some exception: manufacturers simply put their substantially increased depreciation allocations into working capital and use them to buy raw materials and components. This is confirmed by the increase in stocks of finished products.

The average monthly stocks of finished products in the second quarter of this year totaled 70.5 days (on delivery days) and increased by 17.7 percent relative to the January-March period, which attests to the increased difficulty in selling finished products.

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Prices

It is impossible to bring about any price stabilization when production is not increased sufficiently; this is shown in world practice. There may be only one exception here—make the increased incomes in the production sphere strictly dependent on the increase in physical production volumes. But if these volumes decline, incomes should decrease as well. But here, as we know, they increase and essentially depend not on the results of labor, but the dynamics of prices. For this reason, it is exceptionally difficult to break the inflationary circle—incomes and prices.

The rise in prices continues to be based on inflation, since it is widespread, that is, it extends to all types of production; at the same time, it is not linked to technological changes or changes in the structure of demand. The most typical reason for the emergence of inflationary processes in development of the economy is the budget deficit, which is substantial this year as well. For this reason, it is unrealistic to expect a significant reduction in prices' rate of increase in the near future; this is shown by data on the increase in prices in the January-June period this year for all types of machinebuilding output. Especially as one of the principal factors in production development—exports of output—continues to decline; in past years, the volume of machinebuilding output exported was insignificant.

Prices have risen particularly sharply this year. While prices in industry and machinebuilding in the 1991-1994 period increased by factors of 3,792.4 and 2,921.7, respectively, and the machinebuilding complex was in next to last place among the nine most important complexes in its rate of increase in prices, from 1991 to May 1995 it moved to seventh place, and from January to June 1995 it moved to fourth place after the fuel, power engineering, and chemical industries.

The price indexes for the preceding period and the forecast period in 1995 for the machinebuilding complex are shown in Table 2 (in number of times of the preceding period).

The largest increase in prices in the first 6 months is continued in heavy, power engineering, and materials handling machinebuilding, as the most labor-intensive sectors, and prices began rising in the electrical engineering industry after the increase in prices for raw material and materials used in the sector, where expenditures for them make up 50 to 70 percent of the overall production cost.

Table 2

	First Quarter of 1995	April	May	Second Quarter of 1995 (Estimated)	Third Quarter of 1995	Fourth Quarter of 1995 (Forecast)
Machinebuilding	1.59	1.16	1.06	1.35	1.20	1.28
Including:						
Heavy, power engineering, and materials handling	1.60	1.18	1.09	1.40	—	—
Electrical engineering industry	1.50	1.13	1.09	1.38	—	—
Chemical and petroleum machinebuilding	1.59	1.17	1.11	1.43	—	—
Machine tool manufacturing and tool manufacturing industry	1.49	1.14	1.07	1.33	—	—
Instrument manufacturing	1.61	1.19	1.04	1.29	—	—
Automotive and bearing industries	1.51	1.13	1.05	1.23	—	—
Tractor and agricultural machinebuilding	1.68	1.19	1.05	1.35	—	—

The growth rate of prices, according to forecasts by the Ministry of Economics, should decline substantially in the future, but the preceding period argues against such optimistic forecasts, and we can expect a rather insignificant decline, especially as the growth rate of prices in the complexes which directly affect the

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prices in machinebuilding (energy resources, chemical production, and ferrous and nonferrous metals) is not declining, but exceeding the growth rate of prices in industry as a whole.

Demand

We should not expect an increase in demand for products sold in Russia. Many enterprises link an increase in sales with increased sales in the far abroad. There are already specific achievements in this case (passenger cars, machine tools, forging and pressing machinery, tractors, and bearings). But most materials-intensive types of output and products whose markets have been filled by Western countries find a market only in Russia, and exports of them will not increase in the future (especially materials handling machinebuilding). This is demonstrated by the data cited in Table 3 on the sale of certain types of machinebuilding output.

Table 3. Comparison of the Volume of Sales in the Russian Federation and Exports to the CIS and Other Countries (in Percent for the First Quarter of 1995)

Type of Output	Volume of Sales in the Russian Federation	Exports and Delivery to the CIS
Trucks	90.2	9.8
Wood-working machine tools	93.4	6.6
Self-propelled cranes	96.1	3.9
Tower construction cranes	92.0	8.0
Overhead traveling cranes	94.6	5.4
Elevators	96.7	3.3
Road graders	89.3	10.7
Bulldozers	93.4	6.6
Excavators	96.7	3.3
Machinery and equipment for livestock raising and fodder production	95.2	4.8

The main reason for price increases is the substantial increase in production costs caused by the high growth rate of prices in sectors such as fuel, power engineering, ferrous metallurgy, and the chemical industry.

The largest increase in prices in the second quarter is observed in materials-intensive sectors such as power engineering and materials handling machinebuilding.

In the next 6-month period, the price increases in machinebuilding will be influenced by basically the same factors observed in the second quarter. This will lead to price increases in the third and fourth quarters at rates which are somewhat higher than the rates in industry as a whole. The growth rate of prices will be about 20 percent in the third quarter. In the fourth quarter, they will increase over the third quarter; this is linked with the expected growth of inflation, and consequently, production costs will be on the order of 26 to 28 percent.

Capital Investments

Capital investments in equipment in the first 6 months of this year declined by 23.0 percent compared with the same period in 1994, and the volume of state capital investments for the year will total 136.4 billion rubles [R]. An assessment of their use is provided in Table 4.

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Table 4

	Machinebuilding Complex	Proportion of Total Volume in Russia, in Percent
Units to be put into use during the year	29.0	15
Capital investments for the year, in billions of rubles	136.4	26.8
Percent assimilated for the reporting period	41.1	32.3
Average volume of investments in one enterprise for the year, in bilions of rubles	4.7	3.9

The insignificant volume of capital investments both in the machinebuilding complex and as a whole should be noted. They are being put into new construction, since use of the average annual capacity at specific enterprises in the machinebuilding complex sometimes reaches only 100 percent. At the same time, the significant assimilation of capital investments allocated should be noted; in the future, this may indicate good recovery of expenditures and confirm the high return on investments in machinebuilding and the desirability of increasing them.

The depreciation of fixed capital in machinebuilding was 43.7 percent of the total amount in 1993, and the situation deteriorated even further in 1994, since the retirement of capacities that were worn out exceeded the increase in capacity. This situation continues in 1995. Only 6.8 percent of enterprises are using 98 to 100 percent of their capacities, and 25.7 percent of capacities have either been withdrawn or are not being used because production has been discontinued.

The significant change in capital investments is related primarily to events in the North Caucasus.

At a meeting of the collegium of the Roskommash [Russian Federation Committee on Machinebuilding], a plan of action for 1995 was adopted to restore the economy and social facilities in the Chechen Republic. Machinebuilders are to deliver diesel generators, transformers, cable, suspension hardware, and other materials and machinery valued at R68.1 billion needed to operate the electrical substations. Buses valued at R43 billion will be sent from the Pavlovo and Likino Bus Plants, and trucks valued at R37 billion will be delivered.

Of the R5 trillion allocated by the Ministry of Economics for restoration work in Chechnya in 1995, deliveries of machinebuilding output will total about R220 billion in just the first 6 months.

Investments

Centralized state investments, according to the draft budget for 1995, will not exceed R10 trillion, and 1994 was practically a failure for investments; state investments ceased long ago to be a determining factor in the economy, but nonstate investments are important now.

On 25 January, the Russian Federation president signed the Edict "On additional steps to attract foreign investments in the Russian Federation's physical production sectors." One of the measures established was to reduce the customs duties on imports of foreign goods by half if the foreign companies importing them are the founders of enterprises to produce similar goods and they make direct capital investments in the Russian Federation's physical production sectors. Certain privileges have been stipulated for joint ventures with foreign investments—the right to export products and import commodities for their own needs without licenses, and the right to have foreign exchange earnings entirely at their disposal.

Foreign investments in machinebuilding amounted to $43.4 million in 1994 (just 3.7 percent of all investments).

In accordance with the budget that has been prepared, the government is providing for the reduction of state subsidies, to be financed only for highly efficient, high-income investment projects with a recovery period of no more than 2 years. The state's share in the investments will not exceed 20 percent; it is proposed to obtain the remainder from private investors. It is planned to attract Western investments of $2 billion to $3 billion in 1995 and $25 billion to $30 billion in the 1995-1997 period.

According to the Ministry of Economics forecast, the influx of foreign investments will total 4.2 percent of all investments in 1995, 4.5 percent of all investments in 1996, 5.1 percent in 1997, and 16.0 percent in the

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1998-2000 period, that is, the growth of investments in machinebuilding will show practically no increase in the coming years.

The current state of the investment climate in the Russian Federation is assessed as unsatisfactory by foreign investors. According to the EUROMONEY magazine, the investment climate of Russia is in 54th place after Iran, Romania, amd Slovenia.

The financial capital necessary to revitalize industry is now concentrated in banking and commercial structures. As far as the assets owned by enterprises are concerned, the predicted level of inflation in 1995 will force them to put even their depreciation allotments into circulation, leaving practically nothing to modernize production.

The Financial Condition of the Sector

The financial condition of machinebuilding enterprises has continued to be quite difficult in the second quarter of 1995. However, certain positive factors may be noted. The rate of increase in incurred and credit indebtedness in machinebuilding in the second quarter of 1995 was one-third of what it was in industry as a whole. The proportion of monetary assets in cash applied toward overdue debts increased from 20.7 percent as of 1 January 1995 to 27.5 percent on 1 June 1995.

The monthly volume of production in machinebuilding was practically equal to the volume of overdue debts to suppliers in May 1995.

Exports

Exports of machinery and equipment are being reduced continuously; this is because of the negligible state support for machinery and technical exports and the inadequacy of investments to develop competitive facilities oriented toward exports.

Exports of machinery and equipment totaled $1.365 billion in the period from January to May 1995, and they have beren reduced by 20 percent. Their proportion in the total volume of exports was 5.1 percent (it was 7.3 percent in the same period last year).

The budget for 1995 provides for funds to support exports which are competitive in the world markets. But state support for 10 federal programs to bring the most important production facilities in machinebuilding sectors up to date will be just 20 percent of the level last year.

Imports

The narrowed gap between domestic and world prices, especially for motor vehicles and materials handling equipment, and the decline of domestic production following the price rises and decrease in demand, are leading to intensified competition by imported commodities in the domestic market and an increase in the proportion of machinery and equipment imported.

An increase of 6.4 percent in import volume is predicted in 1995, compared with 1994. The proportion of machinery and equipment is estimated at the level of 31 percent in the total volume of imports.

The customs barriers that have been established, on one hand, do not protect domestic producers from imports of the simplest machine tools or from foreign competitors, but on the other hand, they make it unprofitable to import high-tech precision equipment whose manufacture is practically unmastered in Russia. In particular, according to Roskomstat [Russian Federation Committee for Statistics] data, more than 50 percent of the metal working equipment imported in 1994 consisted of machine tools for processing wood, cork, bone, and other hard nonmetallic materials, but domestic producers are also making such machine tools at the level of Western standards.

At the same time, 20-percent customs duties apply to the importation of high-tech equipment which our producers either do not manufacture at all or produce in insignificant quantities. For example, Switzerland, Germany, and Italy are the main suppliers of high-precision machine tools. Last year deliveries from these countries were reduced to one-fifth as much. Meanwhile, high-quality precision machine tools are required in motor vehicle manufacturing, the aviation and bearing industries, atomic power engineering, and other sectors.

Privatization

In the period from January to April, the number of privatized enterprises in the machinebuilding complex was just 2 percent of the total number of privatized enterprises in industry. Such a small number of privatized enterprises in machinebuilding is a result of the production recession. Enterprises do not expect to overcome this situation without the state's support.

The Role of Wholesale Trade Enterprises

The proportion of wholesale trade enterprises in the sales of machinebuilding output is insignificant. Products are mainly sold by manufacturers for direct shipment to buyers or through distributors. Thus, for example, the proportion in wholesale trade sales is as follows:

— trucks, 8 percent;

— passenger cars, 3.7 percent;

— machine tools, 1.2 percent;

— centrifugal pumps, 1.1 percent; and

— roller bearings, 2.2 percent.

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Exchange Business

Machinebuilding products are sold in exchanges in insignificant quantities. The proportion of all industrial engineering products sold in exchanges has been no more than 1 percent.

Conclusions and Forecast

The steps taken by the government to reduce the inflation rate, increase state and foreign investments in domestic industry, and increase depreciation allotments led in the second quarter of 1995 to some rise in effective domestic demand for machinebuilding products, principally power engineering machinebuilding, instrument building, and motor vehicle manufacturing (small economy cars, light trucks, and microbuses).

In the second half of the year as a whole, effective demand is expected to remain at the current level. There will be greater demand for the output of motor vehicle manufacturing (passenger cars—light economy cars and cross-country vehicles of the "Jeep" type, light trucks, microbuses, and interurban buses) and instrument making, including cash registers, power engineering machinebuilding products, and bearings.

Under the influence of a certain increase in effective demand for machinebuilding products, some improvement has been noted in production. The production recession in machinebuilding has slackened. The volume of machinebuilding production in the second quarter of 1995 was 95 percent (for large and medium-sized enterprises) of what it was in 1994; this compares with 57 percent in 1994 compared with 1993.

In the second half of 1995, the volume of machinebuilding production will be reduced by 3 to 5 percent compared with the first 6 months of the year. For 1995 as a whole, production will be 92 to 93 percent of last year's level.

In the second quarter of 1995, there was less demand for the output of domestic machinebuilding in foreign markets because of the traditionally low competitiveness od domestic equipment. Exports of machinery and equipment in the second quarter of 1995 declined by 20 percent compared with the second quarter of 1994. The rise in the ruble's exchange rate compared with the dollar which was seen in the second quarter had a negative effect on export opportunities.

Because of the government's unexpectedly soft credit and financial policy in the second quarter of 1995, there will not be substantial deterioration in the financial situation at enterprises in the machinebuilding complex in the second half of 1995.

There will be some excess in demand over supply in 1995 for individual types of automobiles and trucks, buses, bulldozers, self-propelled rigs, cash registers, alternating-current electric motors, and deep-well electric pumps.

Approximate conformity between supply and demand is being maintained in the following commodity markets: machinery for cleaning drainage systems, street-cleaning machinery, fuel trucks, excavators, sewage pumps, water supply and household pumps, vacuum cleaners, fans, compressors, electric hoists, inexpensive woodworking machine tools, and telephone cables.

Sales will continue to be very difficult for most of the other types of machinebuilding output.

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Economic Issues

*Extensive Mine Shutdowns Advocated

954F2977A Kiev MOST in Russian
No 30, 31 Jul-6 Aug 95 p 10

[Article by Yuriy Vishnevskiy: "Goodbye, Black Specter?"]

[FBIS Translated Text] **Coal, which became the basis for the development of industry in the sparsely populated steppes of the Dniepr zone a century ago, is turning into the scourge of the territory. Whereas coal mining provided the owners of the Donetsk mines and pits with large and quick profits in the pre-revolutionary decades, it now provides the state-owner with nothing but losses, and these would be twice as great if environmental damage were to be included in the calculations.**

The total area of land occupied by coal mines and pits in Ukraine is around 1.5 million hectares—one-fortieth of all national territory—and only a small percentage of the land has been recultivated. There are frequent cases in which the earth sinks, along with the structures built on it, and in which small and even medium-sized lakes and rivers disappear underground. Although the Donbass is located in a seismically stable zone, it is facing the threat of technogenic earthquakes of growing proportions, and this growth is being hastened by the abandonment of depleted mines. Is there any doubt that this will be followed by other upheavals—social ones? Coal, the black gold extolled by Vladimir Vysotskiy, has been less similar to gold than to a black specter for a long time in Ukraine, demanding sacrifices not for the right to own it, but for the chance to escape it.

Boundary

Profitability is the key issue in all arguments over the future of the coal industry. It is supposed to aid in drawing a boundary between the black gold and its specter. The Government of Ukraine has divided the 237 mines managed by coal production associations into three categories: 1) 58 mines with good prospects for profitable autonomous operations; 2) 141 mines which could be profitable with help from the state; 3) 38 mines which are clearly unprofitable. Almost 60 percent of the mines, as we can see, belong to the second category, for which profitability is attainable but will require capital investment. The future of these mines has aroused considerable debate. Obviously, from the standpoint of the owner, there is no point in the continued operation of unprofitable enterprises, and the boundary has to be drawn between the first and second categories. From the standpoint of the hired manpower at these enterprises, on the other hand, it would be pointless to close mines which are not suffering any particular losses and are a source of jobs paying a more or less average wage by present standards in Ukraine, and in this case the boundary would have to be drawn between the second and third categories.

The key to this paradox is not the difference between the so-called capitalist and socialist approaches, but the fundamental difference between the laws of micro- and macro-economics, equally perceptible to the owners, expressed in their common language of profits, and to hired labor, expressed in the language of wages. The essential difference is that the closure of enterprises situated on the boundary between profitability and unprofitability is absolutely justified from the standpoint of the owner and absolutely unjustified from the standpoint of the workers in each specific case. If this is done on a massive scale, however, it is objectively justified as long as the funds made available by the closures are used to create more jobs (but only if these are within the country!) than were eliminated. This is an objective fact because the reduction of the number of jobs in the country is equally inconvenient for owners and workers. It forces the state to increase taxes and contributions to various funds from profits and from wages—due, first of all, to the need for increased expenditures on the maintenance of the army of unemployed and, second, to the need for the coverage of the cost of maintaining the budget sphere (including the army), pensioners, the disabled, and the unemployed by a smaller number of taxpayers.

These purely qualitative considerations provide sufficient evidence that whereas the need to keep the 58 most promising mines and close the 38 least promising mines is completely indisputable, neither the retention nor the closure of the 141 "intermediate" mines would be the best option. The truth—that same boundary between national property and national disaster—lies somewhere in between. Therefore, if we proceed from the national interest, the number of mines subject to closure should be several times higher than 38.

Conflict of Interests

Finding the "golden mean" between the interests of the workers of each specific enterprise and the owners of these enterprises is the job of negotiators representing the two sides, with state participation to secure the maximum correspondence of the final decisions to the interests of the population as a whole. The fact that the state is simultaneously the owner in Ukraine's coal industry is of no fundamental importance in this case, because the main conflict of interest is within the group of hired workers.

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A million people work for enterprises, institutions, and organizations of the Ministry of the Coal Industry, and 680,000 of them are employed directly in the production of coal (according to data for the beginning of 1995). Although the output of coal is less than half of what it was at the end of the 1980s, the number of people employed in coal production is still almost the same. Today the 170,000 miners working for the 111 more or less profitable mines and the concentrating factories serving them—one-fourth of the previously mentioned 680,000—produce 61 percent of all the coal, whereas the remaining 510,000 produce only 39 percent. The average output per miner in Ukraine today is around 115 tonnes of coal a year, whereas the figure is three or four times as high in Poland and Russia and more than 20 times as high in the United States and Australia. The average for the most productive 170,000 workers, however, is almost 285 tonnes a year, which is almost the same as the output of our Eastern and Western neighbors—i.e., these enterprises are completely or almost completely competitive. In the other mines the average productivity is only 60 tonnes a year per worker, which is only one-seventh as high as the figure for the Russians and Poles. This gap is already virtually insurmountable. As we can see, these data confirm the conclusion that the locations inhabited by the black specter are not only the 38 mines officially acknowledged as such, but also twice that number of mines elsewhere.

Today the life of these mines is being sustained artificially by the internal resources of viable enterprises. The Ministry of the Economy and Ministry of the Coal Industry set the kind of wholesale price for coal sold to consumers that covers the costs of coal production and secures social funds and social services for the industry as a whole. The economic performance of each mine is judged not on the basis of this wholesale price, but on the basis of so-called accounting prices, set separately for each enterprise in such a way as to cover its projected expenditures. As a result, much of the income of profitable enterprises is redistributed to unprofitable enterprises, causing the former to lose the money which they have earned through conscientious labor and which is so necessary for the development of production, the improvement of working conditions, etc. It is understandable that the workers of the profitable mines feel cheated and have an interest in the economic autonomy of their own enterprises and the elimination of the intrasectorial redistribution of income. The workers of unprofitable mines, on the other hand, have an interest in the perpetuation of the intrasectorial subsidies, because their elimination would mean the imminent closure of their enterprises and, consequently, the loss of their jobs.

The interests of the state, as the owner, consist in getting rid of unprofitable mines and mines with a low profit margin and investing the available funds in the more promising production units. Consideration for the interests of the population as a whole will necessitate the expenditure of these available funds in Ukraine to create new jobs in place of the ones lost by Ukrainian workers, and not to create jobs for foreign workers. In view of the fact that Ukraine ceased to be an exporter of coal and turned into an importer last year, the best option might be the redirection of the funds from unpromising coal enterprises to promising and new enterprises, as well as the encouragement of foreign and domestic investment in the Ukrainian coal industry. Therefore, the interests of the state and the population of the country as a whole coincide with the interests of the workers of profitable mines.

Finally, the interested parties also include international financial organizations. In view of the fact that many private foreign investors see their assistance in a particular project as a sign of the potential of the enterprises in question, the terms and recommendations international organizations set as conditions for their assistance should be linked with the interests of foreign investors and, consequently, with the interests of the more promising and profitable enterprises in which these individuals will be most likely to invest their capital.

Release

Many of the promising mines in Ukraine are experiencing a chronic manpower shortage and often have no chance of working prepared mine faces. The mass closure of unprofitable mines and the concentration of existing and new investments in the development and renovation of promising enterprises, including lignite mining enterprises, will therefore give most of the released tunnelers and stope miners a chance to find jobs in their own field. The employment prospects of the released surface workers are much more ambiguous.

Administrative personnel make up a special category of the surface workers. Members of the administrative link have high salaries, the chance to pay themselves bonuses, and priority in the use of social benefits for which all miners are officially eligible, and they also have additional sources of income deriving from the flaws in the current system for the calculation of the quantity and control of the quality of acquired materials and shipped coal, as well as the indistinct line between commercial risk and financial abuses. It is not surprising that this category of personnel at the enterprises threatened by closure has a greater interest in disrupting these plans and, conversely, that the

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administrators of promising enterprises have a greater interest in achieving economic autonomy.

All of this also applies to the production associations. Each has advanced and backward elements, but some have more of the former and others have more of the latter. Incidentally, in addition to having conflicting interests, the administrators of promising and unpromising mines and production associations also have common interests: in higher wholesale coal prices, in state support, including the extension whenever the nonpayment crisis grows more acute, in protectionism to give domestic coal producers an advantage over foreign producers, in the creation of a stabilization fund, in the termination of the coal industry's responsibility to maintain the social sphere and, finally, in the appropriation of the concentrating factories that take much of the output of commercial coal beyond the control of coal miners. It is not surprising that all of this obscured the conflicting interests of the general directors. When the Ministry of the Coal Industry was established in November 1994, for example, the overwhelming majority of the "generals" supported the plan to create it and endorsed the appointment of General Director Viktor Poltavets of the "Luganskugol" Production Association as minister.

Now that the ministry is performing its corporative functions, however, the conflicting interests are becoming prominent again. Conclusive evidence of this is provided by the creation of two separate groups of miners' unions and strike committees with diametrically opposed attitudes toward the ministry and the minister in spring 1995. Furthermore, the Ministry of the Coal Industry has had to change its own plans. Its program envisages the reduction of the number of coal mining production associations from 23 to 15 by merging some of them and assigning the enterprises of all three existing coal concentrating associations to them, as well as the functions and resources of the "Uglesbyt" association. Coal mining associations have been authorized to sell up to 20 percent of their coal outside the confines of the prices set by the ministry. The ministry has expressed its intention to gradually increase the percentage of freely sold coal every three months to 40, 60, 80, and 100 percent. If this does happen, all coal will be sold at contract prices within a year, and the intrasectorial subsidies will disappear.

This means that the closure of unprofitable mines, which is now only a hypothetical possibility, will become a fact. Fifteen mines are already being shut down, and the appropriate programs are being drawn up by project planning institutes of the Ministry of the Coal Industry. It is true that the report of the World Bank representatives who visited Ukraine on 9-20 May this year states that "the initial impressions of the data in the program for the closure of 15 mines are that the projected closure costs are much higher than necessary and that the closure process will take much longer than necessary (2-3 years), which will increase the costs even more." Nevertheless, however slow the process of release from the black specter might be, it is certain to pick up speed.

One guarantee of this is the much less autonomous role the new Government of Ukraine has assigned to sectorial ministries like the Ministry of the Coal Industry. As the interests of enterprises in various industries begin to diverge, these ministries will cease to be the promoters of common corporate interests and will have to pursue the policy defined by the so-called functional ministries—Economy, Finance, Labor, External Economic Relations, and Trade—and by the vice premiers with jurisdiction over them. It is obvious that the path of production concentration and restructuring, the path the Ukrainian coal industry will have to take now (40 years after the coal industry in the West European countries), will not be strewn with roses, and if there are any roses, they will be all thorns and no petals. The petals will have been removed in advance by the defenders of the black specter—pink, red, and brown.

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Armenia

Newly Designated Ministers Profiled

954F2986A Yerevan RESPUBLIKA ARMENIYA in Russian 1 Aug 95 pp 2-3

[Unattributed article: "Members of the Government"]

[FBIS Translated Text]

Prime Minister of the Republic of Armenia Grant Araratovich Bagratyan

Born 18 October 1958 in Yerevan to a builder's family.

1979—completed work at the Yerevan Institute of the National Economy with distinction. 1979-81 served in the Soviet Army. 1982— entered graduate school at the Institute of Economic Affairs of the Academy of Sciences of Armenia, and defended his candidate dissertation in 1987, receiving the degree of candidate of economic sciences. Worked in the same institute first as a junior and then as a senior scientific associate.

September 1990—confirmed by Supreme Council of the Republic of Armenia as first deputy of the Council of Ministers and chairman of the State Committee on Economic Affairs.

December 1991—by an edict of the president of the Republic of Armenia appointed deputy prime minister and minister of economic affairs.

12 February 1993—by an edict of the president of the Republic of Armenia, appointed prime minister of the republic.

Married and has a son. He is a member of the board of the AOD [Armenian Pannational Movement]. In addition to Armenian, speaks Russian, German, and English.

Minister of Foreign Affairs of the Republic of Armenia Vagan Akopovich Papazyan

Born 29 January 1957 in Yerevan. 1979—completed work in the Iranian branch of the Department of Orientology at Yerevan State University. From 1980 through 1991—worked in the Institute of History of the National Academy of Sciences of Armenia.

1987—defended his candidate dissertation and received the scholarly degree of candidate of historical sciences.

Since 1989—has been a member of the board of the AOD.

From December 1991 through October 1992—adviser to the president of the Republic of Armenia.

From October 1992 through February 1993—acting ambassador from Armenia to France.

1992-1995—minister of foreign affairs of the Republic of Armenia.

Married and has one child.

In addition to Armenian and Russian. speaks Persian and English.

Minister of Education and Science of the Republic of Armenia Armenak Robertovich Kazaryan

Born 11 June 1955 in Yerevan to the family of a white-collar worker.

1978—graduated from Moscow State University imeni Lomonosov.

1978-1980—intern at the Mathematics Institute imeni Steklov of the USSR Academy of Sciences; 1980—entered graduate school at the same institute, and 1984—defended his candidate dissertation, receiving the scholarly degree of candidate of physico-mathematical sciences.

1983-1992—worked in the Institute of Mathematics of the State Academy of Sciences of the Republic of Armenia as a scientific associate.

1991-1992—deputy chairman of the expert commission of the Ministry of Economic Affairs of the Republic of Armenia and January 1992—appointed deputy minister of economic affairs of the Republic of Armenia.

1993-1995—state minister of the Republic of Armenia.

Married and has two children.

In addition to Armenian and Russian, also speaks English.

Minister of National Security Serzhik Azatovich Sarkisyan

Born 30 June 1954 in Stepanakert in Nagorno-Karabakh. 1976— graduated from the philology department of Yerevan State University. From 1975 through 1979—worked at the Yerevan electrical equipment plant as a lathe operator.

1979-88—worked in Komsomol [All-Union Lenin Young Communist League] and party organs of Nagorno-Karabakh. He was first secretary of the Stepanakert city committee of the Komsomol and in charge of the departments of sports, mass defense work, agitation and propaganda of the Stepanakert party city committee and assistant first secretary of the party oblast committee of Nagorno-Karabakh.

From 1989 through August 1933—chairman of the Self-Defense Forces Committee of the Nagorno-Karabakh Republic.

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1990—elected deputy of the Supreme Council of the Republic of Armenia.

August 1993—appointed minister of defense of the Republic of Armenia.

Since May 1995—chief of the State National Security Administration. 1994—awarded the order of "Combat Cross" first degree.

Married and has two children.

Minister of Ecology and Underground Resources of the Republic of Armenia Suren Grantovich Avetisyan

Born 24 April 1951 in Yerevan to the family of a white-collar worker. 1968—graduated from secondary school No. 76 imeni Kamo, and 1973—department of biochemistry of the Yerevan State University.

Since 1973—has worked at the Institute of Biochemistry of the National Academy of Sciences of the Republic of Armenia, first as a senior laboratory assistant and then as a junior and then senior scientific associate. 1986—defended his candidate dissertation, receiving the scholarly title of candidate of biological sciences.

Since 1990—has worked in the administration for protection of nature and the environment and administrative-technical supervision as a senior specialist, department chief, and deputy chief of the administration. March 1992—appointed deputy minister of protection of nature and the environment.

1994-1995—minister of protection of nature and the environment of the Republic of Armenia.

Married and has two children.

Minister of Culture and Affairs of Youth and Sports of the Republic of Armenia Akop Movsesovich Akopyan

Born 3 September 1952 in the village of Tsakhkashen (now Sizavet) in Ashotskiy Rayon to a teacher's family.

1969—graduated secondary school No. 1 in Oktemberyan (now Armavir), 1973—philology department of the State Pedagogical Institute imeni Kh. Abovyan. Until 1978—worked as a teacher of Armenian language and literature. 1978-1991—head of the department of prose and poetry, official secretary, and deputy editor in chief of the youth journal GARUN.

From 1991 through 1995—minister of culture of the Republic of Armenia.

Is the author of four collections of poetry.

Has translated from the German and published the works of Thomas Mann, R.M. Rilke, F. Nietzsche, F. Holderlin, and others.

Married and has two children.

Minister of Justice of the Republic of Armenia Vage Vardanovich Stepanyan

Born in 1948 in Stepanakert. 1972—graduated from the law school of Yerevan State University. 1972-1973—served in the Soviet Army. 1974-77—studied in graduate school of the Scientific Research Institute of Soviet Law of the USSR Ministry of Justice, and after graduating in 1978, defended his candidate dissertation and in 1998 his doctoral dissertation. During 1977-90—worked at the Institute of Philosophy and Law of the Academy of Sciences of Armenia as a junior and then as a senior and chief scientific associate.

Since 1990—has been minister of justice of the Republic of Armenia.

Married and has one child.

Minister of Agriculture and Food of the Republic of Armenia Ashot Yerdzhanikovich Voskayan

Born 20 May 1953 in Yerevan to the family of a white-collar worker. 1975—graduated from economic affairs department of the Yerevan Agricultural Institute with the specialty of economist- organizer. Went through requalification at the Moscow Agricultural Academy imeni Timiryazev. Worked in the Institute of Economics and Organization of Agriculture. Since 1992—chief of the Administration of Agriculture and Food of the Ministry of the Economy of the Republic of Armenia. From 1993 through 1995— minister of agriculture of the Republic of Armenia.

Candidate of Economic Sciences, author of many works on economic affairs of the agro-industrial complex.

Married and has three children.

Minister of Internal Affairs of the Republic of Armenia Vano Smbatovich Siradegyan

Born 13 November 1946 in the village of Koti in Noemberyanskiy Rayon. Graduated secondary school in Kokhba. From 1966 through 1969—served in the army. 1974—graduated from journalism school at Yerevan State University. Until 1988—worked for a number of periodicals in the republic. Author of three collections of prose. Since 1988—member of the Karabakh committee, chairman of the board of the AOD, deputy of the Supreme Council, chief of a timber industry enterprise. Since 1992—minister of internal affairs of the Republic of Armenia.

Married and has five children.

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Minister of Industry of the Republic of Armenia Ashot Andranikoich Safaryan

Born 20 September 1945 in Yerevan to the family of a white-collar worker. 1971—graduated secondary school with a gold medal; 1976— graduated Yerevan Polytechnical Institute with distinction, receiving the specialty of an electrical engineer.

1976-77—worked as an engineer-designer at the Yerevan electrical equipment plant

1981—completed work at the All-Union Scientific Research Institute of Electrical Engineering in Moscow, and 1981—defended candidate dissertation. Since 1980—has worked at the Yerevan Polytechnical Institute as an engineer, senior scientific associate, and chief of a scientific laboratory, combining this with duties of a docent in the department of electrical engineering.

November 1990—appointed deputy chairman of the state committee on economic affairs. Since December 1991—minister of industry of the Republic of Armenia.

1983-1984—went through scientific qualification at the Swiss Higher Technical School (Zurich) and 1990—the University of Karlsruhe (FRG).

Has 59 scholarly works and is the author of three inventions.

Married and has two children.

Minister of Economic Affairs of the Republic of Armenia Andranik Serezhayevich Andreasyan

Born 19 March 1961 in Yerevan. 1983—graduated Yerevan Polytechnical Institute with the specialty of construction engineer.

1987—completed graduate school at the Scientific Research Institute of Planning and Economics of the Armenian SSR Gosplan and worked at the Armelektromash plant as an engineer.

1991-1992—was chief specialist of the State Commission of the Council of Ministers of the Republic of Armenia for Economic Reform of the Construction and Housing-Municipal Complexes; 1992-1993— chief specialist of the department of branch reforms of the administration of economic reforms of the Government of the Republic of Armenia and then chief of the department for regulation of relations of the investment complex and real estate of the economics administration. Since 1994—chief of the administration on questions of urban construction and the disaster zone.

Married and has two children.

In addition to Armenian and Russian, also speaks English.

Minister of Defense of the Republic of Armenia Vazen Savenovich Sarkisyan

Born 5 March 1959 in the village of Ararat in Araratskiy Rayon. Graduated local secondary school and then, in 1979, Yerevan Institute of Physical Culture. From 1979 through 1983—worked as a teacher in the secondary school in the village of Ararat.

1983-1986—secretary of the committee of the Lenin Communist Youth League. From 1986 through 1989—chief of the department of social and political journalism of the newspaper GARUN.

1990—elected deputy of the Supreme Council of the Republic of Armenia and until 1992—was chairman of the commission of the Supreme Council on internal affairs and defense.

1992-1993—minister of defense of the Republic of Armenia, and 1993-1995—state minister of the Republic of Armenia.

Not married.

Minister of Public Health of the Republic of Armenia Ara Sayenovich Babloyan

Born 5 May 1947 in Yerevan to a physician's family.

1965—graduated secondary school No. 76, and 1971—the pediatrics department of the Yerevan Medical Institute. Worked as a urologist in Polyclinic No. 8, and since 1972—as a pediatric surgeon in children's hospital No. 1. 1977—received the scholarly degree of Candidate of Medical Sciences. In that same year won the competition to become an assistant in the department of pediatric surgery of the Yerevan Medical Institute. 1987—defended doctoral dissertation and received scholarly degree of Doctor of Medical Sciences.

1990—created the Center of Pediatric Uroneurology and became its manager. Since 1991—minister of public health of the Republic of Armenia, professor in the department of pediatric surgery of the Yerevan Medical Institute and the National Institute of Public Health, member of the Association of Pediatric Surgeons and Urologists of Europe, the Association of Transplantologists of Europe, the Association of Neurologists of Switzerland, and others. The author of more than 80 scientific works, three inventions, and seven innovation proposals.

Married and has two children.

In addition to Armenian and Russian, also speaks French and English.

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Minister of Energy of the Republic of Armenia Gagik Amayakovich Martirosyan

Born 14 January 1951 in the Village of Gladzor in Yekhegnadzorskiy Rayon to a peasant family.

1968—graduated Yekhegnadzorskiy secondary school No. 1 and entered the Yerevan Polytechnical Institute where he graduated in 1974 with the specialty of construction engineer. 1974-1979—worked in the Yekhegnadzorskiy construction and installation administration of the Dzhermukstroy trust as a brigade leader, foreman, head engineer, and chief of the construction and installation administration. 1979-1980—deputy chairman of the Yekhegnadzorskiy Rayon executive committee. 1980-1986—worked in Dzhermukstroy trust as head engineer and then and manager of the trust. 1986-1987— manager of trust No. 14. 1987-1990—chief of the administration of industry and the construction industry of the Ministry of Construction of the Armenian SSR, manager of the Araratstroy trust, deputy chief for norms and technical specifications for construction design of the Gosstroy [State Committee for Construction] of the Armenian SSR, and first deputy of the Gosstroy of the Armenian SSR.

1990-1993—minister of construction of the Republic of Armenia, 1993-1995—state minister of the Republic of Armenia.

Married and has two children.

Minister of Social Security, Migration of the Population, and Refugee Affairs of the Republic of Armenia

Born 25 March 1948 in the city of Baku to the family of a white- collar worker. Graduated Yerevan secondary school No. 35 and in 1973—the architectural-construction department of Yerevan Polytechnical Institute with the specialty of architect-builder- technologist.

1973-1991—worked in the administration of architecture and planning of the executive committee of the Yerevan city council as an engineer-inspector, architect-builder, senior engineer-inspector for control, head engineer, and chief of the department of engineering networks and structures.

1991-1993—chairman of the Ordzhonikidzevskiy Rayon executive committee of the city of Yerevan.

From 1993 through 1995—state minister of the Republic of Armenia.

Married and has two children.

Minister of Transportation, Service, and Tourism of the Republic of Armenia Vagan Mgerovich Melkonyan

Born 4 January 1953 in the village of Mets Parni in Spitakskiy Rayon. 1969—graduated Yerevan secondary school No. 55 imeni A.P. Chekhov, and 1975—department of mechanization of agriculture of the Yerevan Agricultural Institute with the specialty of mechanical engineer.

Upon completion of the institute he was assigned to the Yegvardskiy complex as a senior engineer. 1976—appointed head mechanical engineer of the business.

1977—as a member of a delegation of young agricultural specialists was sent to the United States for exchange of experience. 1977-80—worked as first secretary of the Lenin Communist Youth League of Nairiyskiy Rayon. 1980—elected deputy of the Nairiyskiy Rayon soviet. 1980-1983—studied at the school of economics of the All-Union Academy of Foreign Trade.

1983-1986—was chief of the administration for staffing of the state committee Armseltekhnika, and 1986-1990—chief of the administration for staffing the main administration for capital construction of the state agro-industrial complex, and deputy chief and chief of the main administration. From December 1990 through December 1991—worked as general director of the republic production association Armagroservis.

Since December 1991—minister of material resources of the Republic of Armenia.

Candidate of economic sciences.

Married and has two children.

Minister of Communications of the Republic of Armenia Grigor Ashotovich Pokhpatyan

Born 9 September 1945 in Yerevan to a family of a white-collar worker. 1963—graduated Yerevan secondary school No. 17 imeni Krylov, 1968—graduated department of technical cybernetics of the Yerevan Polytechnical Institute with the specialty of "Radiotechnology." Until 1970—worked in the department of industrial electronics of the Yerevan Polytechnical Institute, and from 1970 through 1982—as an engineer and sector chief in the All- Union Scientific Research Institute of Complex Electrical Equipment. Worked on problems of the development, production, and introduction of sources of electricity supply for special-purpose telemetric systems.

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1982-1991—worked as department chief and head project designer at the Lazernaya tekhnika scientific production association.

1981—completed correspondence graduate school at the All-Union Scientific Research Institute of Electromechanics.

April 1991—appointed first deputy minister and in December 1991—minister of communications of the Republic of Armenia.

Married and has three children.

Minister of Information of the Republic of Armenia Grachya Grantovich Tamrazyan

Born 5 December 1953 in Yerevan. Graduated Yerevan Secondary School imeni Krupskaya. 1976—completed work in philological department of Yerevan State University.

1977-1988—worked in Matenadran imeni Mashtots as a scientific associate.

1983—defended candidate dissertation and received scholarly degree of candidate of philological sciences.

1988-1993—was editor in chief and then director of the Nairi publishing house. 1993-1995—chief of the publishing affairs administration under the government of the Republic of Armenia.

The author of more than 10 books of poetry, translation, and scholarship and numerous articles.

Married and has three children.

Minister of Transportation and Communications of the Republic of Armenia Genrik Dzhumshudovich Kochinyan

Born 7 May 1948 in the village of Shnokh in Tumanyanskiy Rayon to a peasant family.

1966—graduated the local secondary school with a medal. 1971— completed studies with distinction at the Yerevan Polytechnical Institute, acquiring the specialty of engineer-mechanic of automotive tractor equipment.

1971-1974—worked in the design-technological bureau of the Ministry of Automotive Transportation of the Armenian SSR as head engineer-designer. 1974-1990—assistant and then docent and dean of the automotive department of the Yerevan Polytechnical Institute.

1978—defended candidate dissertation and received the scholarly degree of candidate of technical sciences.

Since 8 October 1990—minister of transportation and communications of the Republic of Armenia.

Married and has two children.

In addition to Armenian and Russian, speaks German as well.

Administration Chief-Minister of the Administration of Statistics, the State Register, and Analysis of the Republic of Armenia Eduard Amayakovich Agadzhanov

Born 28 October 1952 in the Azerbaijan city of Kirovabad.

1969—graduated secondary school No. 11. 1974—completed studies in the economics department of Yerevan State University.

From 1974 through 1977—worked at the Abovyan Izmeritel Plant and from 1977 through 1979—at the Charentsavan Tsentrolit Plant. Since 1980—has worked in scholarly institutions.

Has been candidate of economic sciences since 1986. Author of a monograph and eight scholarly articles. Combined scholarly activity with practical work as the chief expert of the Supreme Council of the Republic of Armenia and chief expert of the expert group of the apparatus of the president of the Republic of Armenia.

Married and has two children.

Minister of Urban Construction of the Republic of Armenia Feliks Ashotovich Pirumyan

Born 27 August 1954 in the city of Tbilisi to the family of a white-collar worker.

1976—completed studies in architectural-construction department of the Yerevan Polytechnical Institute with the specialty of construction engineer. Since 1976—worked in the Armtransstroy Trust in positions of engineer, senior engineer, department chief, and head engineer of the trust, and since 1987—manager of the trust.

Since 1993—minister of construction of the Republic of Armenia.

In addition to Armenian and Russian, speaks Georgian as well.

Administration Chief-Minister of the Tax Inspectorate of the Republic of Armenia Pavel Dantonovich Safaryan

Born 20 November 1958 in the village of Lusakunk in Vardenisskiy Rayon. 1980—graduated Yerevan Institute of the National Economy with distinction.

1980—worked in the Institute of Economics of the Academy of Sciences of Armenia as an economist, senior economist, junior scientific associate, and scientific associate.

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From 1980 through 1982—served in the Soviet Army.

1989—defended his candidate dissertation, receiving the scholarly degree of candidate of economic sciences.

Since October 1990—has worked on the commission for economic reforms of the Council of Ministers of the Republic of Armenia first as an aide and then as a department chief.

1991—appointed deputy chief of the tax inspectorate of the Republic of Armenia and since November 1994—has been chief of the tax inspectorate of the Republic of Armenia.

Married and has one child.

In addition to Armenian and Russian, speaks English as well.

Minister of Finance of the Republic of Armenia Levon Vladimirovich Barkhudaryan

Born 6 April 1958 in Yerevan to the family of a white-collar worker.

1975—graduated Yerevan Secondary School No. 118.

1980—completed work in the department of economic cybernetics of the Yerevan Institute of the National Economy. 1980-1982—served in the Soviet Army. 1982-1985—worked on graduate studies at the Central Economics-Mathematics Institute of the USSR Academy of Sciences, after completion of which defended candidate dissertation in 1985. 1985-1990—worked in Institute of Economics of the National Academy of Sciences of the Republic of Armenia, 1990-1992— the state committee on economics of the Republic of Armenia, and 1992-1993—deputy minister of economics of the Republic of Armenia.

Since February 1993—minister of finance of the Republic of Armenia.

Married and has two children.

Minister of Affairs of Regional Administration Ruben Sergeyevich Barsegyan

Born 11 February 1957 in the village of Agin in Aniyskiy Rayon.

Graduated local secondary school in 1978 and entered department of technical cybernetics of the Yerevan Polytechnical Institute.

Having completed work in the "Automated Control Systems" department, since 1978 has worked at the Yerevan Scientific Research Institute of Mathematical Machines.

1991—transferred to work in the State Administration on Refugee Issues as deputy chief, and since 1992—first deputy chief of the administration.

Married and has three children.

Minister for Communications With the National Assembly of the Republic of Armenia Arsen Grantovich Kamalyan

Born 14 July 1959 in Yerevan to the family of a white-collar worker.

1976—graduated Secondary School imeni Dzerzhinskiy, and in 1981—the department of mechanization of agriculture of the Yerevan Agricultural Institute.

Worked as engineer-designer and chief of the technical department of the Masis machine shop of Glavarmvodstroy.

1984—transferred to the Balaovitskity repair plant of Glavarmvodstroy where until 1987 he worked as deputy chief of production, and from 1988—continued production activity at the experimental plant of Glavarmvodstroy in Yerevan. 1989—completed work at the center for management under the Moscow Institute imeni Plekhanov earning the credential "Enterprise Manager."

Since 1989—has worked as inspector for control with the executive committee of the Leninskiy Rayon Council of Yerevan.

1991—worked in the state tax inspectorate as department chief, deputy chief of the administration, and chief of the tax inspectorate of Shengavitskiy Rayon. Since 1994—chief of the inspection administration.

Married and has two children.

Administration Chief-Minister of the Administration for Emergency Situations of the Republic of Armenia Stepan Sarkisovich Badalyan

Born 20 March 1945 in Kirovakan to the family of a pilot.

Completed work in the department of applied mathematics of Yerevan State University. 1973-1990—worked in the Scientific Research Institute of Economics and Planning under the Gosplan [State Planning Committee] of Armenia—first as junior and then as senior scientific associate, and after completion of graduate school, from 1982 through 1984—as scientific secretary.

1994-1990—worked as chief of department for special research of the same institute. During this time, completed Central Higher Officers' Courses in Civil Defense of the USSR.

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1990—elected deputy of the Supreme Council of the Republic of Armenia.

From 1991 through 1995—chief of the State Administration for Emergency Situations.

Married and has two children.

In addition to Armenian and Russian, also speaks Czech and English.

Minister of Affairs of the CIS, the European Union, and International Economic organizations of the Republic of Armenia Gagik Mkrtichevich Shakhbazyan

Born 27 July 1955 in Yerevan, to the family of a white-collar worker.

1977—completed work at the Armenian Agricultural Institute receiving the specialty of mechanical engineer of agricultural production.

1977-1985 worked first as a junior and then as a senior scientific associate at the Scientific Production Association Armselkhozmekhanizatsiya of the USSR Ministry of Agriculture. Candidate of Technical Sciences.

From 1985 through 1987—pro-rector for scientific work of the Armenian Republic Higher School of the Gosagroprom [State Committee on the Agro-Industrial Complex] of the Armenian SSR, 1987-1989— deputy chief of the main administration for scientific support of the Gosagroprom of the Armenian SSR, from 1989 through 1991—first deputy chairman of the republic center for scientific support of the Gosagroprom of the Armenian SSR, and since 1991—deputy chairman of the State Committee on Economics of the Republic of Armenia.

1991-1993—appointed state minister and minister of agriculture of the Republic of Armenia. 1993-1995—state minister of the Republic of Armenia.

Married and has one child.

Secretary-Minister of the Government of the Republic of Armenia Sergey Genrikovich Manasaryan

Born 25 February 1959 in Yerevan to the family of a white-collar worker.

1975—graduated Yerevan secondary school No. 8. 1981—completed work at the Armenian Agricultural Institute with the specialty of agricultural production engineer. 1981—worked in the Institute of Water Problems as an engineer. Finished graduate school at the Scientific Production Association Armselkhozmekhanizatsiya. Candidate of technical sciences. From 1984 through 1989—worked in the same association first as a junior and then as a senior scientific associate. From 1989 through 1990—head specialist of the Armenian SSR Gosplan. 1990-1992—chief specialists of the agricultural division of the State Committee on Economics of the Republic of Armenia, 1992-1993—assistant deputy prime minister, from 1993 through 1994—chief of the apparatus of the prime minister, and since 1994—manager of affairs of the government of the Republic of Armenia.

Married and has two children.

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Latvia

*Russian-Latvian Agreement on Border Crossing Procedures

954F2895A Moscow ROSSIYSKAYA GAZETA in Russian 21 Jul 95 p 15

["Provisional Agreement Between the Russian Federation Government and Latvian Republic Government on Simplified Procedure for Crossing the Russian-Latvian Border by the Inhabitants of Border Territories"]

[FBIS Translated Text] The Russian Federation Government and Latvian Republic Government, hereafter referred to as the Parties,

with the aim of supporting and further developing the ties that have formed between the inhabitants of border territories of the Russian Federation and Latvian Republic,

have agreed as follows:

Article 1

For the purposes of this Provisional Agreement:

a) the term "border territories" is used to designate the territories of rural administrations of the Russian Federation and the territories of volosts [districts] and cities of the Latvian Republic adjacent to the Russian-Latvian border;

b) the term "border authorities" is used to designate those responsible officials authorized by each Party to decide issues dealing with the maintenance of border controls;

c) the term "inhabitants of border territories" is used to designate Russian Federation citizens and Latvian Republic citizens, as well as citizens of the former USSR (prior to their acquisition of citizenship) permanently residing in border territories for at least six months;

d) the term "relatives" is used to designate parents, foster parents, stepfathers, stepmothers, children, adopted sons and daughters, brothers, sisters, husbands, wives, grandmothers, grandfathers, great grandmothers, great grandfathers, grandchildren, great grandchildren, sons-in-law, daughters-in-law, fiancees, brothers-in-law, fathers-in-law, and mothers-in-law.

Article 2

The Parties have decided to use, for the purposes of simplified border crossing, the border crossing points that are open for international traffic, and to open as well, in accordance with this Provisional Agreement and applicable legislation of the Russian Federation and Latvian Republic, crossing points for simplified border crossing by the inhabitants of Russian-Latvian border territories upon presentation of valid identification documents and passes of the prescribed form certifying the right to effect simplified crossing of the Russian-Latvian border (not published here).

Persons with valid foreign-travel passports containing visas for the country of entry may also pass through the border crossing points opened for the simplified procedure.

The newly established border crossing points shall be opened after they have been appropriately equipped and necessary conditions established for operations by the control organs of the Parties.

Article 3

Passes certifying the right to simplified Russian-Latvian border crossing procedure, drawn up in the Russian and Latvian languages, are issued by competent organs of the Parties. Within the framework of this provisional Agreement, such organs are understood to constitute the following:

a) with respect to the Russian Party—the administrations of rayons of Pskov Oblast, Russian Federation;

b) with respect to the Latvian Party—territorial organs of the Latvian Republic Ministry of Internal Affairs.

In the event it is necessary to alter the form of the pass, the Parties shall inform one another in advance and coordinate the new form.

Article 4

Passes are issued to inhabitants of border territories in the following instances:

a) permanent or seasonal work at enterprises, institutions, organizations, and other economic production or training facilities;

b) possession of real property in the border territory of the contiguous state;

c) meetings with friends and relatives;

d) serious illness, accident, or death of a friend or relative;

e) visitation of grave sites, performance of religious rites, observance of local customs and traditions;

f) the conduct by local organs of authority of joint events along the border or in direct proximity to it;

g) other valid reasons which make it necessary to visit the border territory of the contiguous state.

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Article 5

Children under 16 years of age may cross the border upon presentation of an annotated pass of their parent or accompanying adult.

Persons engaged in studies at educational institutions located in the border territory of a contiguous state may cross the border independently upon presentation of documents confirming the fact of their studies at the educational institution in question and passes. Passes are issued to students for the entire period of study. The term of validity of a pass may not exceed one academic year.

Article 6

The term of validity of passes issued to the inhabitants of border territories is determined depending on the purpose of the border crossing, and may not exceed 90 days.

Article 7

In extreme situations (to render urgent medical assistance, in the event of natural disaster, etc.) confirmed by official authorities of the border territories, the inhabitants of border territories, medical personnel, rescue workers, and other individuals, upon coordination between the border authorities of the Parties, may cross the border at the closest border crossing point and at any time of day, upon presentation of personal identification documents.

Article 8

For border crossings effected by an organized group of inhabitants of border territories, a pass is issued to the group leader (senior individual), with an appendix listing by name the accompanying individuals, who must have personal identification documents on their person. This list is certified by the organ issuing the pass to the group leader (senior individual). Its term of validity may not exceed three days. In such instances, border crossings and movement through the territory of the contiguous state are effected only in the group composition.

Article 9

Border crossings by the inhabitants of border territories in accordance with the simplified procedure are effected on foot or using means of transportation across the border crossing points that have been opened for simplified border crossing procedure during hours determined through coordination between the border authorities of the Parties, and across border crossing points open to international traffic—on a round-the-clock basis.

Data with respect to means of transportation are indicated in the pass. In this regard, the driver of the means of transportation must return in the same manner across the same border crossing point through which he entered.

Article 10

The inhabitants of border territories are authorized to proceed to the territories of rural administrations of the Russian Federation and the territories of volosts and cities of the Latvian Republic indicated in the pass, and to travel within their confines.

The holders of passes return to their own country across the same border crossing point through which they initially effected crossing.

Article 11

If during the period of stay of an inhabitant of one contiguous state in the territory of the other contiguous state, his personal documents are lost or become unfit for use, he is obliged to immediately inform the internal affairs organ of the country of stay with respect to this situation. In such event, the appropriate competent organs issue this individual written confirmation of the fact that he reported his documents or pass as lost or damaged, and the inhabitant in question is obliged to return to his country of permanent residence in the shortest possible time frame.

Article 12

When crossing the Russian-Latvian border, the inhabitants of border territories are subject to border, customs, and other varieties of control in accordance with the internal legislation of both states currently in effect.

Persons crossing the border on the basis of Point b) of Article 4 of this Provisional Agreement may, under obligation of effecting their return, transfer implements and mechanisms for use in the contiguous territory without payment of customs duty, may transfer to territory of the contiguous state construction materials needed for their personal use without payment of customs duty, and may take into the country of permanent residence products of agricultural activity produced by the real-property owner, upon confirmation by the local organs of authority where the land parcel or structure is situated.

The procedure for movement of the above-mentioned products and other objects, as well as their listing and quantity, are determined by the appropriate customs organs of the Russian Federation and Latvian Republic.

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Article 13

When using the simplified border crossing procedure to cross the Russian-Latvian border, and during their stay in territory of the contiguous state, the inhabitants of border territories shall observe legislation in effect in that locality and shall respect its local customs and traditions.

Article 14

Persons who violate the provisions of this Provisional Agreement, or who intentionally hand over their documents to another individual or use another's documents to cross the Russian-Latvian border and visit the territory of the contiguous state, are denied the right to continue their stay in the territory of the contiguous state and shall return to their country of permanent residence. The border authorities of the contiguous state are informed in this regard. From that point forward, such individuals may be denied the opportunity to obtain a pass certifying the right to use of the simplified procedure for crossing the Russian-Latvian border.

Article 15

Movement across border crossing points of the Russian-Latvian border using the simplified procedure may be terminated or restricted in the event of serious deterioration of the medical-sanitary environment in the area of these crossing points or emergence there of a threat to public safety. The Party with intent to terminate or restrict movement across these points shall inform the other Party at least 10 days in advance.

In the event of natural disaster, industrial accident, or ecological catastrophe, border crossing points shall be immediately closed or movement across them immediately restricted, and information in this regard provided the other Party.

Article 16

This Provisional Agreement shall remain valid until completion of the procedure of international legal registration of the Russian-Latvian state border.

It enters into force as of its date of signature and may be abrogated by either of the Parties.

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